THE FREEMAN

IDEAS ON LIBERTY

Education and the Racist Road to Barbarism

Where Are the Sons of Liberty?

The Politics of Compassion

OCTOBER 1990

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THE FOUNDATION FOR ECONOMIC EDUCATION, INC. Irvington-on-Hudson, New York 10533

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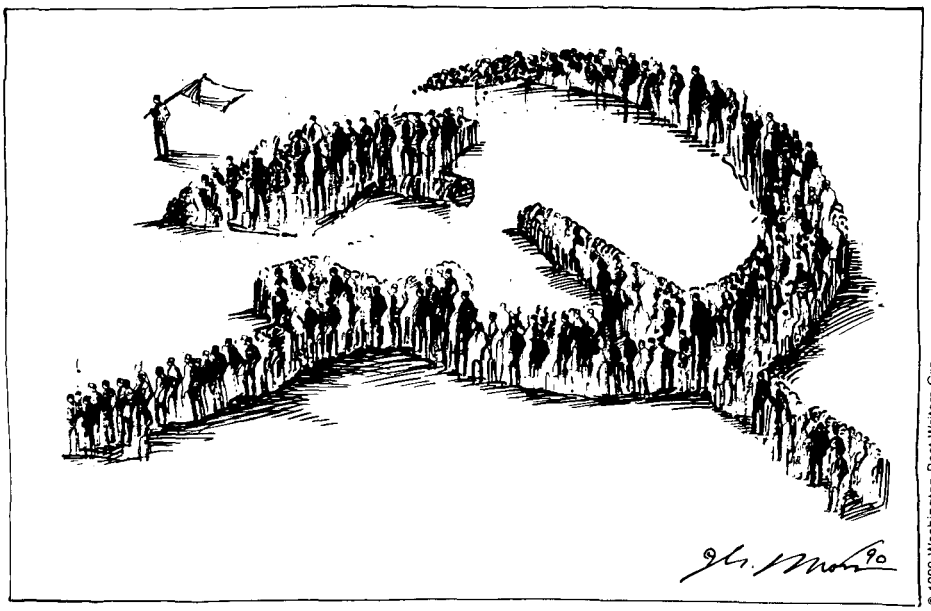

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PERSPECTIVE

The Politics of Poverty

Political competition depends on the skills and abilities of the competitors. How then can the poor, who lack the skills and abilities to compete successfully in the marketplace, compete in the political arena? They can't, and therefore they haven't. After all, if the poor had the skills and attributes that are necessary for effective political action, they would not be poor. Certainly billions of dollars have flowed through government programs supposedly established to redistribute income from the non-poor to the poor, but the poor did not structure these programs. The middle-class bureaucrats who run these programs, the consultants and academics who study them, and the doctors, farmers, and construction contractors whose services are demanded by them—they are the ones who share welfare programs and receive the most benefit from them. For example, in 1984 the federal government spent $344 billion on transfer payments of which only $80 billion went to the poor.

The benefits the poor do receive are provided in such ways as to make them more, rather than less, dependent on public support. As a result, they are made worse off in the long run. Current programs discourage the poor from entering the job market, and encourage poor husbands to abandon their families.

The welfare industry is perpetuating itself by undermining the economic incentives and the family structure that are so important if the poor are to develop the skills and attitudes needed to move up the economic ladder.

The deluge of government welfare spending has done nothing to redistribute income to the poor. It has, however, reduced economic productivity by requiring greater tax burdens on the private sector of the economy. The poor don't have a bigger share of the pie, and because of welfare expenditures, the pie is smaller than it would have been.

—Dwight R. Lee and Robert L. Sexton,
writing in the October 29, 1989,
Orange County Register.

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The Black Hole

The government is seizing the thrifts, taking onto its own books the properties that served as collateral for defaulted loans. In theory, it will sell the properties and use proceeds to reduce its deposit-insurance liabilities. In practice, history suggests government ownership is a black hole from which property never escapes. Office of Management and Budget attempts to sell assets are routinely defeated. The one notable success, the sale of Conrail, took years. The government still owns 85 percent of the land in Nevada and 87 percent of Alaska. Think of it this way: The last time the federal government ever sold anything was the Oklahoma land rush in 1889.

—from an editorial in the March 15, 1990, *Wall Street Journal*

Curbing the Impulse to Hire

In any community there are countless numbers of self-employed entrepreneurs who report that business is good—so good, they can't keep up. In the dynamics of business development this is the point at which an entrepreneur would normally hire his first employee.

All too often this fails to happen, mostly because would-be employers are reluctant to assume the mountain of responsibilities that government heaps upon them should they hire someone.

What should be a simple, straightforward business transaction of mutual benefit is now on the order of an adoption—requiring, through a host of laws and regulations, that the employer assume growing responsibility for the life of another human being for an unknown period of time and with increasingly unpredictable consequences.

What is overlooked in society's zeal to heap its problems onto the shoulders of employers is that economic reality demands that any employee, in any position, must produce enough product or service, which when sold at prevailing prices, will cover not only his wage (minimum or not), but also the costs associated in hiring him, including insurance, day care, health care, sick leave, vacation, and maternity leave—not to mention the additional legal, accounting, and filing-forms-in-triplicate costs incurred by the seemingly innocuous decision to hire.

(This is not to say that such forms of compensation shouldn't and wouldn't be voluntarily negotiated in a free market without government mandates.)

But more than covering costs, would-be employers want to know, "Why should I assume this responsibility and risk?" Rational people will conclude, "I'd rather be fishing."

This spells doom, not so much for the prospective job creators, who will likely find a niche for themselves, but for potential employees who are not cut out for self-employment or need the experience and training of employment, who need the job creators and who will be left with substantially fewer choices and opportunities.

—Evelyn Pyburn, Editor,
Big Sky Business Journal,
Billings, Montana.

Stealing from Children

American economic wealth is the product of the labors, savings, and entrepreneurial efforts of many generations of Americans. Our generation is the beneficiary of the apparatus of production left us by many generations that preceded us. We neither planned nor built it; with minimal efforts on our part we are enjoying the broad stream of goods it is providing. Yet, for most of us this is not enough; we make our political institutions run chronic deficits and leave the bills to our children. We would rather consume their heritage than to forgo our benefits. Unfortunately, we are sowing the seeds of our punishment which, to be just, will be both certain and proportionate to the offense.

—Hans F. Sennholz,
"Thou Shalt Not Steal, Coerce or Deceive"
(Libertarian Press, Spring Mills, Pennsylvania)

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Education and the Racist Road to Barbarism

by George Reisman

Major changes are taking place in the philosophy of American education, changes which are potentially capable of having an enormous impact on all aspects of American life. The changes are inspired by what *The New York Times* refers to as the "Eurocentrism critique." According to the *Times*, "Eurocentrism" is a pejorative term supposed to describe "a provincial outlook that focuses overwhelmingly on European and Western culture while giving short shrift to Asia, Africa and Latin America."

A typical manifestation of "Eurocentrism," according to its critics, is the statement that Columbus discovered America. This statement, which most children in America may have learned as their very first fact of history, is now regarded as controversial. Indeed, it is held to be positively offensive because it implies that "there had been no other people on the continent" before Columbus arrived. Traditional American education in general is denounced for seeing the world "only through a Western lens." Only through that "lens," it is held, can, for example, African art be regarded as primitive.

In an effort to eliminate such alleged Western and European "bias," schools are altering the way in which history, literature, and the arts are being taught. Recent changes at Stanford University, where a course on Western civilization was replaced by one in which non-Western ideas had to be included, are only one case in point. The revisions in the history curriculum in California's public school system, to emphasize Indian and African cultures, are another. Curricula and textbooks are being widely rewritten, and, as evidence of the depth of the changes, the *Times* reports that efforts are under way "to reconstruct the history of African tribes, going beyond relying on accounts of Western travelers to examining indigenous sources, often oral, and adapting anthropological approaches."

The implications of these changes are enormous. The acceptance of the "Eurocentrism" critique and its denial of such propositions as "Columbus discovered America" speaks volumes about the state of the educational establishment in the United States and the intellectual establishment in general.

In order to understand the implications, it is first necessary to remind oneself what Western civilization is. From a historical perspective, Western civilization embraces two main periods: the era of Greco-Roman civilization and the era of modern Western civilization, which later encompasses the rediscovery of Greco-Roman civilization in the late Middle Ages, and the periods of the Renaissance, the Enlightenment, and the Industrial Revolution. Modern Western civilization continues down to the present moment, of course, as the

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dominant force in the culture of the countries of Western Europe and the United States and the other countries settled by the descendants of West Europeans. It is an increasingly powerful force in the rapidly progressing countries of the Far East, such as Japan, Taiwan, and South Korea, whose economies rest on "Western" foundations in every essential respect.

From the perspective of intellectual and cultural content, Western civilization represents an understanding and acceptance of the following: the laws of logic; the concept of causality and, consequently, of a universe ruled by natural laws intelligible to man; on these foundations, the whole known corpus of the laws of mathematics and science; the individual's self-responsibility based on his free will to choose between good and evil; the value of man above all other species on the basis of his unique possession of the power of reason; the value and competence of the individual human being and his corollary possession of individual rights, among them the right to life, liberty, property, and the pursuit of happiness; the need for limited government and for the individual's freedom from the state; on this entire preceding foundation, the validity of capitalism, with its unprecedented and continuing progress, capital accumulation, and rising living standards; in addition, the importance of visual arts and literature depicting man as capable of facing the world with confidence in his power to succeed, and music featuring harmony and melody.

Western Civilization Is Open to Everyone

Once one recalls what Western civilization is, the most vital thing to realize about it is that *it is open to everyone.* Indeed, important elements of "Western" civilization did not even originate in the West. The civilization of the Greeks and Romans incorporated significant aspects of science that were handed down from Egypt and Babylon. Modern "Western" civilization includes contributions from people living in the Middle East and China during the Dark Ages, when Western Europe had reverted to virtual barbarism. Indeed, during the Dark Ages, "Western" civilization resided much more in the Middle East than in Western Europe. (It is conceivable that if present trends continue, in another century it might reside more in the Far East than in the West.)

The truth is that just as one does not have to be from France to like French-fried potatoes or from New York to like a New York steak, one does not have to be born in Western Europe or be of West European descent to admire Western civilization, or, indeed, even to help build it. Western civilization is not a product of geography. *It is a body of knowledge and values.* Any individual, any society, is potentially capable of adopting it and thereby becoming "Westernized." The rapidly progressing economies of the Far East are all "Western" insofar as they rest on a foundation of logic, mathematics, science, technology, and capitalism—exactly the same logic, mathematics, science, technology, and capitalism that are essential features of "Western" civilization.

For the case of a Westernized individual, I must think of myself. I am not of West European descent. All four of my grandparents came to the United States from Russia, about a century ago. Modern Western civilization did not originate in Russia and hardly touched it. The only connection my more remote ancestors had with the civilization of Greece and Rome was probably to help in looting and plundering it. Nevertheless, I am thoroughly a Westerner. I am a Westerner because of the *ideas and values* I hold. I have thoroughly internalized all of the leading features of Western civilization. They are now *my* ideas and *my* values. Holding these ideas and values as I do, I would be a Westerner wherever I lived and whenever I was born. I identify with Greece and Rome, and not with my ancestors of that time, because I share the ideas and values of Greece and Rome, not those of my ancestors. To put it bluntly, my ancestors were savages—certainly up to about a thousand years ago, and, for all practical purposes, probably as recently as four or five generations ago.

I know nothing for certain about my great-grandparents, but if they lived in rural Russia in the middle of the 19th century, they were almost certainly totally illiterate, highly superstitious, and primitive in every way. On winter nights, they probably slept with farm animals in their hut to keep warm, as was once a common practice in Northern Europe, and were personally filthy and lice-infested. I see absolutely nothing of value in their "way of life," if it can be called a way of life, and I am immeasurably grateful that my grandparents had the good sense to abandon it and come to America, so that I could have the opportunity of

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becoming a "Westerner" and, better still, an American "Westerner," because, in most respects, since colonial times, the United States has always been, intellectually and culturally, the *most* Western of the Western countries.

Thus, I am a descendant of savages who dwelt in Eastern Europe—and before that probably the steppes of Asia—who has been Westernized and now sees the world entirely through a Western "lens," to use the term of the critics of "Eurocentrism." Of course, it is not really a lens through which I see the world. It is much more fundamental than that. I have developed a Western *mind,* a mind enlightened and thoroughly transformed by the enormous body of knowledge that represents the substance of Western civilization, and I now see the world entirely on the basis of that knowledge.

For example, I see the world on the foundation of the laws of logic, mathematics, and science that I have learned. And whenever something new or unexpected happens, which I do not understand, I know that it must nevertheless have a cause which I am capable of discovering. In these respects, I differ profoundly from my savage ancestors, who lacked the knowledge to see the world from a scientific perspective and who probably felt helpless and terrified in the face of anything new or unknown because, lacking the principle of causality and knowledge of the laws of logic, they simply had no basis for expecting to be able to come to an understanding of it.

It is on the basis of the same foundation of knowledge that I regard the discoverer of the Western hemisphere to be Columbus, rather than the very first human beings to arrive on the North American continent (probably across a landbridge from Asia), and rather than the Norwegian Leif Ericson. I consider Columbus to be the discoverer not because of any such absurd reason as a preference for Europeans over Asiatics (Leif Ericson was as much a European as Columbus), but because it was Columbus who opened the Western hemisphere to the civilization I have made my own. Columbus was the man who made it possible to bring to these shores *my ideas and values.* It is not from the perspective of the residence of my ancestors, who were certainly not Italian or Spanish or even West European, that I regard Columbus as the discoverer of America, but from the perspective of the residence of my ideas and values. Just as at an earlier time, they resided in Greece and Rome rather than in the Russia of my ancestors, so in the 15th and 16th centuries, the home of my ideas and values was in Western Europe. I hold Columbus to have been the discoverer of America from *that* perspective. This is the perspective that *any* educated person would hold.

There is no need for me to dwell any further on my own savage ancestors. The plain truth is that *everyone's* ancestors were savages—indeed, at least 99.5 percent of everyone's ancestors were savages, even in the case of descendants of the founders of the world's oldest civilizations. For mankind has existed on earth for a million years, yet the very oldest of civilizations—as judged by the criterion of having possessed a written language—did not appear until less than 5,000 years ago. The ancestors of those who today live in Britain or France or most of Spain were savages as recently as the time of Julius Caesar, slightly more than 2,000 years ago. Thus, on the scale of mankind's total presence on earth, today's Englishmen, Frenchmen, and Spaniards earn an ancestral savagery rating of 99.8 percent. The ancestors of present-day Germans and Scandinavians were savages even more recently, and thus today's Germans and Scandinavians probably deserve an ancestral savagery rating of at least 99.9 percent.

It is important to stress these facts to be aware how little significance is to be attached to the members of any race or linguistic group achieving civilization sooner rather than later. Between the descendants of the world's oldest civilizations and those who might first aspire to civilization at the present moment, there is a difference of at most one-half of one percent on the time scale of man's existence on earth.

The Standard for Judging a Civilization

These observations should confirm the fact that there is no reason for believing that civilization is in any way a property of any particular race or ethnic group. It is strictly an *intellectual* matter —ultimately, a matter of the presence or absence of certain fundamental ideas underlying the acquisition of further knowledge.

Those peoples who possess a written language

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may be called civilized, inasmuch as writing is an indispensable means for the transmission of substantial knowledge, and thus for the accumulation of knowledge from generation to generation. Those who possess not only a written language but also knowledge of the laws of logic and the principle of causality are in a position to accumulate and transmit incomparably more knowledge than people who possess merely the art of writing alone. On this basis, Greco-Roman civilization is on a higher plane than any that had preceded it.

Finally, a civilization which possesses still further fundamental applications of human reason, such as the far more extensive development and elaboration of the principles of mathematics and science, the existence of the freedoms of speech and press, and the development of a division of labor economy, is a higher civilization than even that of Greece and Rome. (The freedoms of speech and press are an essential guarantee of the individual's right to disseminate knowledge without being stopped by the fears or superstitions of any group backed by the coercive power of the state. A division of labor economy makes possible a corresponding multiplication of the amount of knowledge applied to production and to meeting the needs of human life, for such knowledge exists essentially in proportion to the number of separate occupations being practiced, each with its own specialized body of knowledge. Equally or even more important, a division of labor economy means that geniuses can devote their talents full time to such fields as science, education, invention, and business, with a corresponding progressive increase in knowledge and improvement in human life.)

Such a civilization, of course, *is our very own, modern Western civilization* — incomparably the greatest civilization which has ever existed, and which, until fairly recently, had repeatedly been carried to its very highest points in most respects right here in the United States.

The fact that civilization is an intellectual matter is not known to the critics of "Eurocentrism." In their view, Western civilization is a matter not even so much of geography as it is of *racial membership.* It is, as they see it, the civilization of the *white man.* In reporting the changes in California's world history curriculum, the *Times* notes, significantly, that Hispanic, Asian, and black students now make up a majority of the 4.4 million pupils in the state. It quotes the co-author of the new curriculum as saying many educators believe that "people who have non-European backgrounds don't feel their antecedents lie in Europe." Another critic of "Eurocentrism," who is described as "heading an overhauling of the public school curriculum of Camden, N.J., to stress . . . a more 'Afrocentric and Latinocentric' approach," is quoted as saying: "We are not living in a Western country. The American project is not yet completed. It is only in the eyes of the Eurocentrists who see it as a Western project, which means to hell with the rest of the people who have yet to create the project."

In these statements, Western civilization is clearly identified with people of a certain type, namely, the West Europeans and their descendants, who are white. Students descended from Asiatics or Africans, it is assumed, can feel at home only to the extent that the curriculum is revised to give greater stress to "the ancient civilizations of China, India and Africa, the growth of Islam and the development of sub-Saharan Africa." The critics of "Eurocentrism" proclaim themselves to be opponents of racism. In fact, they accept exactly the same false premise they claim to oppose—namely, that civilization, or the lack of it, is racially determined.

In earlier centuries, men of European descent observed the marked cultural inferiority of the native populations of Africa, Asia, and the Western hemisphere, and assumed that the explanation lay in a racial inferiority of these peoples. In passing this judgment, they forgot the cultural state of their own ancestors, which was as much below their own as was that of any of these peoples. They also overlooked the very primitive cultural state of many Europeans then living in the eastern part of the continent, and of Caucasians living in the Middle East. Even more important, they failed to see how in accepting racism, they contradicted the essential "Western" doctrine of individual free will and individual responsibility for choices made. For in condemning people as inferior on the basis of their race, they were holding individuals morally responsible for circumstances over which they had absolutely no control. At the same time, they credited themselves with accomplishments which were hardly their creations, but those of a comparative handful of other individuals, most of whom had happened to be of the same race and who, ironically enough, had had to struggle against

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the indifference or even outright hostility of the great majority of the members of their own race in order to create civilization.

The New Racism and the Devaluation of Knowledge

Today, the critics of "Eurocentrism" rightly refuse to accept any form of condemnation for their racial membership. They claim to hold that race is irrelevant to morality and that therefore people of every race are as good as people of every other race. But then they assume that if people of all races are equally good, *all civilizations and cultures must be equally good.* They derive civilization and culture from race, just as the European racists did. And this is why they too must be called racists. They differ from the European racists only in that while the latter started with the judgment of an inferior civilization or culture and proceeded backwards to the conclusion of an inferior race, the former begin with the judgment of an equally good race and proceed forward to the conclusion of an equally good civilization or culture. The error of both sets of racists is the same: the belief that civilization and culture are racially determined.

The racism of these newer racists, which is now being imposed on the educational system, implies a radical devaluation of civilization, knowledge, and education. The new racists do not want students to study non-Western civilizations and the conditions of primitive peoples from the perspective of seeing how they lag behind Western civilization and what they might do to catch up. Study from that perspective would be denounced as seeing the world through a "Western lens." It would be considered offensive to people of non-West European origin.

No, what they want is to conduct the study of the various civilizations and even the state of outright savagery itself in a way that makes all appear *equal.* It is assumed, for example, that black students can feel themselves to be the equal of white students only if their sub-Saharan ancestors are presented as, in a fundamental sense, culturally *equivalent* to modern West Europeans or Americans.

Now such a program means the explicit obliteration of distinctions among levels of civilization, and between civilization and savagery. It presents ignorance as the equivalent of knowledge, and superstition as the equivalent of science. Everything—logic, philosophy, science, law, technology—is to be ignored, and a culture limited to the level of making dugout canoes is to be regarded as the equivalent of one capable of launching space ships. And all this is for the alleged sake of not offending anyone who supposedly must feel inferior if such a monumental fraud is not committed.

I believe, contrary to the expectations of the new racists, that their program must be grossly offensive to the very students it is designed to reassure. I know that I would be personally outraged if I were told that my intellectual capacities and personal values had been irrevocably defined for me by my ancestors and that now I was to think of myself in terms of the folkways of Russian peasants. I believe that if my ancestors had been Africans and, for example, I wanted to be an artist, I could readily accept the fact that art produced on the basis of a knowledge of perspective, geometry, human anatomy, and the refraction of light was a higher form of art than that produced in ignorance of such considerations. I would readily accept the fact that the latter type of art was, indeed, primitive. I would not feel that I was unable to learn these disciplines merely because my ancestors or other contemporary members of my race had not. I would feel the utmost contempt for the deliberate, chosen primitiveness of those "artists" (almost all white) who had reverted to the level of art of my (and their) primitive ancestors.

Race is not the determinant of culture. Not only is Western civilization open to the members of every race, but its present possessors are also potentially capable of losing it, just as the people of the Western Roman Empire once lost the high degree of civilization they had achieved. What makes the acceptance of the "Eurocentrism" critique so significant is that it so clearly reveals just how tenuous our ability to maintain Western civilization has become.

Western Civilization and the State of Education

The preservation of Western civilization is not automatic. In the span of less than a century, virtually the entire population at the end consists of people who were not alive at the beginning. Western civilization, or any civilization, can continue

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only insofar as its intellectual substance lives on in the minds of new generations.

And it can do so only if it is imparted to young minds through education. *Education is the formal process of transmitting the intellectual substance of civilization from one generation to the next and thereby developing the uncultivated minds of children into those of civilized adults.* Western civilization is imparted to young minds in the teaching of Euclidean geometry and Newtonian physics, no less than in the teaching of the philosophy of Plato and Aristotle or the plays of Shakespeare. It is imparted in the teaching of every significant subject, from arithmetic to nuclear physics, from reading and writing to the causes of the rise and fall of civilizations. Wherever the intellectual substance of Western civilization is known, its transmission to the minds of students is virtually *coextensive with the process of education.* For the intellectual substance of Western civilization is nothing other than the fundamentals underlying the highest levels of knowledge attained anywhere on earth, and if the purpose of education is to impart knowledge, then its purpose is to impart Western civilization.

Thus, to the extent that the process of education is undermined, the whole of civilization must also be undermined, starting a generation later. These results will appear more and more striking as time goes on and as more and more defectively educated people take the place of those whose education was better. The worsening effects will likely be further intensified as those whose own education was defective become educators themselves and thus cause succeeding generations to be still more poorly educated.

Education in the United States has been in obvious decline for decades, and, in some ways that are critical but not obvious, perhaps for generations. The decline has become visible in such phenomena as the rewriting of college textbooks to conform with the more limited vocabularies of present-day students. It is visible in the functional illiteracy of large numbers of high school and even college graduates, in their inability to articulate their thoughts or to solve relatively simple problems in mathematics or even plain arithmetic, and in their profound lack of elementary knowledge of science and history.

I believe that the decline in education is probably responsible for the widespread use of drugs. To live in the midst of a civilized society with a level of knowledge closer perhaps to that of primitive man than to what a civilized adult requires (which, regrettably, is the intellectual state of many of today's students and graduates) must be a terrifying experience, urgently calling for some kind of relief, and drugs may appear to many to be the solution.

I believe that this also accounts for the relatively recent phenomenon of the public's fear of science and technology. Science and technology are increasingly viewed in reality as they used to be humorously depicted in Boris Karloff or Bela Lugosi movies, namely, as frightening "experiments" going on in Frankenstein's castle, with large numbers of present-day American citizens casting themselves in a real-life role of terrified and angry Transylvanian peasants seeking to smash whatever emerges from such laboratories. This attitude is the result not only of lack of education in science, but more fundamentally, loss of the ability to think critically—an ability which contemporary education provides little or no basis for developing. Because of their growing lack of knowledge and ability to think, people are becoming increasingly credulous and quick to panic.

Thus the critique of "Eurocentrism"—and any changes in curricula that may result from it—can hardly be blamed for inaugurating the decline in American education. On the contrary, it is a product of that decline. The fact that it is being accepted almost without opposition is evidence of how far the decline has already gone.

Why Cultural Relativism Prevails

The equivalence of all cultures, the equivalence of civilization and savagery, is the avowed claim of the doctrine of cultural relativism, which has long been accepted by practically the whole of the educational establishment. It in turn is a consequence of the still older, more fundamental doctrine that there is no objective foundation for values—that all value-judgments are arbitrary and subjective. The new racists are now merely cashing in on this view and attempting to apply it on the largest possible scale, in the process substantially altering the manner in which subjects are taught. Today's educational establishment has fewer compunctions about putting absurd ideas into practice, probably because of the deteriorated state of its own educa-

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tion. (Many of its members were educated in the 1960s, in the environment of the "student rebellion.")

The fact that the educational and intellectual establishments are fully in agreement with the fundamental premises of the new racists helps to explain why even when their members are opposed to the "Eurocentrism" critique, they have nothing of substance to say against it. As reported by the *Times*, the objections raised amounted to nothing more than complaints about the difficulty of finding non-European writers, philosophers, and artists to replace the European ones dropped from the curricula, and grumblings about the lack of Americans able to teach authoritatively about non-European cultures.

In capitulating to the "Eurocentrism" critique, the educational establishment has reached the point of reducing education to a level below that of ordinary ward politics: education is now to be a matter of pressure-group politics based on the totally false assumptions of racism. If there is a majority of black, Hispanic, or Asian students in an area, then that fact is to be allowed to determine the substance of education, in the belief that these groups somehow "secrete," as it were, a different kind of civilization and culture than do whites and require a correspondingly different kind of education.

Colleges in the United States have demonstrated such utter philosophical corruption in connection with this subject that if there were a group of students willing to assert with pride their descent from the Vandals or Huns and to demand courses on the cultural contributions of their ancestors, the schools would provide such courses. All that the students would have to do to get their way is to threaten to burn down the campus.

But what best sums up everything involved is this: from now on, in the state of California, a student is to go through 12 years of public school, and the explicit goal of his education is that at the end of it, if he envisions Columbus being greeted by spear-carrying savages, and he happens not to be white, he should identify with the savages—and if he does happen to be white, and therefore is allowed to identify with Columbus, he should not have any idea of why it is any better to identify with Columbus than with the savages.

This is no longer an educational system. Its character has been completely transformed and it now clearly reveals itself to be what for many decades it has been in the process of becoming: namely, an agency working for the *barbarization* of youth.

The value of education is derived from the value of civilization, whose guardian and perpetuator education is supposed to be. An educational system dedicated to the barbarization of youth is a self-contradictory monstrosity that must be cast out and replaced with a true educational system. But this can be done only by those who genuinely understand, and are able to defend, the *objective* value of Western civilization. □

Reprints Available

"Education and the Racist Road to Barbarism" is available as an 8-page, *Freeman*-sized reprint. Single copy: $1.00; 10 for $5.00; 25 or more, 35 cents each. Prices include postage. Order from: The Foundation for Economic Education, 30 South Broadway, Irvington-on-Hudson, New York 10533. Please include payment with order.

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Where Are the Sons of Liberty?

by Norman S. Ream

The year was 1748 and Virginia, under a regulation of the Crown, was required to grant every Anglican clergyman in that colony an annual salary of 17,000 pounds of tobacco. During the following decade there was a sharp increase in the price of tobacco due to several crop failures. The Virginia Assembly, desiring no doubt that the clergy remain properly poor, passed what were referred to as the Two Penny Acts. These Acts set the value of the clergy's tobacco at twopence a pound, far below the market price. As could be expected, the clergy objected and brought suit. The dispute became known as the Parson's Cause and was appealed to the King's Privy Council which promptly annulled the law. Reverend James Maury brought suit in Virginia and won his case because the judges were bound by the Privy Council's decision. After the jury had heard Patrick Henry's defense, it awarded the Reverend Mr. Maury one penny in damages.

Patrick Henry was only in his 20s at the time. No doubt he was trying to build a reputation for himself, but his speech contained a ringing defense for the liberties of free men: "... a king, by disallowing Acts of this salutary nature, from being the father of his people, degenerated into a Tyrant, and forfeits all rights to his subjects' obedience."

The King's action through his Privy Council was only one of many threats to the people's liberties that provided a prelude to the final revolt.

Facing such threats, the Sons of Liberty were formed after the Stamp Act was passed in 1765. Although these groups sometimes may have been unruly, for the most part they were made up of middle-class citizens who kept themselves under control. They did, however, make it clear that they would not and could not tolerate the loss of their liberties which George III was seeking to take from them. They frequently disguised themselves, as they did at the Boston Tea Party, burned stamped paper, staged processions, and intimidated English officials.

There is often a misconception on the part of Americans concerning the situation that existed between the people of the 13 original colonies and the British government prior to 1776. This misconception may be due to our 20th century's poor record at teaching history.

It is widely believed today that the colonists rebelled against the British and King George because they desired freedom from harsh rules and regulations, but the facts are somewhat different. As early as 1763, a decade before the Boston Tea Party, the colonists were free from most of the governmental restrictions we live under in the late 20th century. The colonists' objection was not that they had no freedom, but that what wide freedom they had was being threatened by new and odious rules emanating from England. They cherished the liberty offered them in this new land and did not wish to forfeit it.

Preserving Liberties

In his excellent work, *The Oxford History of the American People*, Samuel Eliot Morison makes the same point when he insists, "Make no

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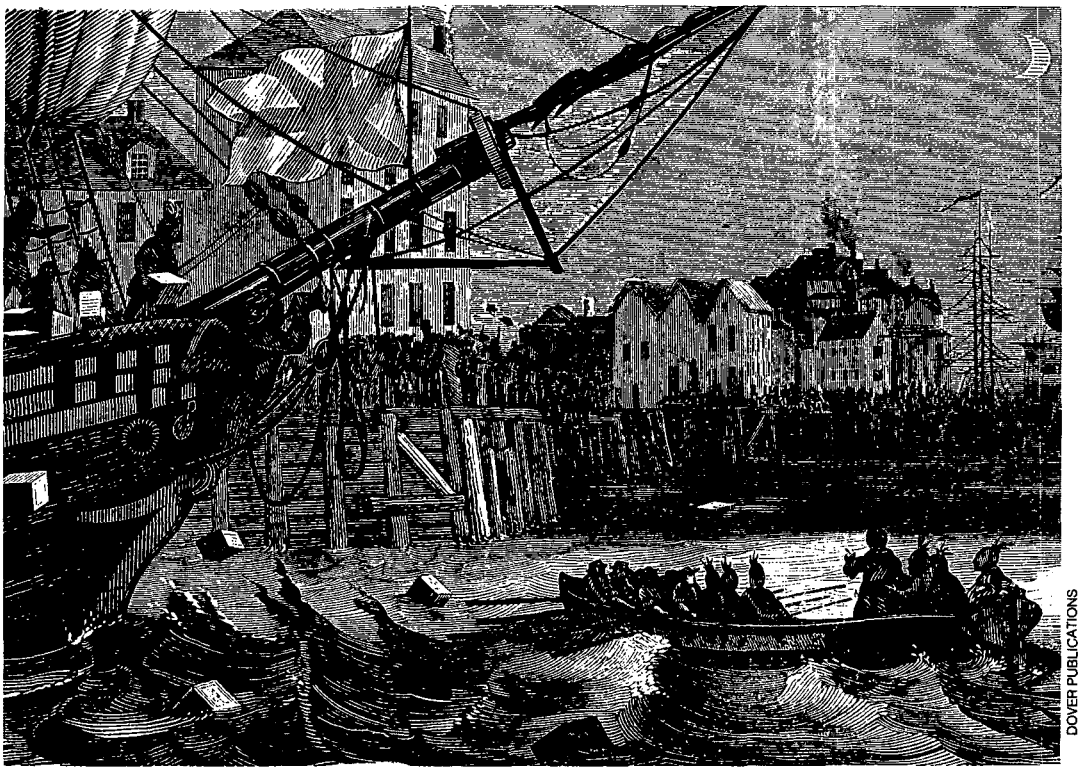

The Boston Tea Party.

mistake, the American Revolution was not fought to *obtain* freedom, but to preserve the liberties that Americans already had as colonials."

Morison makes clear that Americans of that period probably had more freedom than Americans of any succeeding era. Following the French and Indian War, King George was generally popular. During that period, however, the colonies had grown stronger and more self-confident, considering their own interests primary. They enjoyed complete freedom of speech, press, and assembly, and military service in time of war was voluntary. What taxes were enacted were not burdensome. As Morison puts it, "the hand of government rested lightly on Americans."

Traveling through Virginia in 1759 a clergyman, Andrew Burnaby, observed, "They are haughty and jealous of their liberties, impatient of restraint, and can scarcely bear the thought of being controlled by any superior power."

It is perhaps conceivable that this political, economic, and social latitude explains the strong reaction on the part of the colonists when George III threatened and actually began to restrict their freedom.

One has difficulty imagining Americans in our day reacting as did the 18th-century colonial Americans. Oppressive and restrictive laws may annoy us, but overall we are so affluent we would rather do nothing that would imperil our ease and comfort. Over the past several decades we have had our liberties slowly but surely abridged, and most Americans are unaware of or indifferent to how much liberty they have lost. We may murmur occasionally at legislative or administrative decisions that further curtail our liberty, but it is very unlikely we would revolt as did the Americans of 1776, or as did the Sons of Liberty in 1773 when they dumped the tea into Boston Harbor.

Although smuggling was widely practiced in New England, the people were generally law-abiding, perhaps more so than their 20th-century counterparts for whom there are so many proscriptive laws that no man knows their number. The more numerous the laws, the more law-breaking there will be. Laws, whether good or bad, are limitations on individual liberty, and when they get to be so numerous and so odious that they become difficult to endure, lack of respect for all law will be the consequence.

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Trading Liberty for the Promise of Security

It has begun to happen in the United States today. The majority of long-suffering Americans are the victims of self-seeking politicians whose primary goal, and often apparently their only goal, is to maintain themselves in the cushy office to which they have become accustomed. We have endured continued inroads on our freedom, all made in the name of security and the public welfare. We have done what we were warned long ago not to do, trade liberty for the promise of security. As a consequence we have neither. Do we have increased economic security when government takes five months of our working income in taxes each year and when each family in America owes $44,000 on the national debt?

The American taxpayer could today make a case similar to that made by Thomas Jefferson in the Declaration of Independence when he listed the failures and shortcomings of George III. Our representatives in Congress have given themselves multitudinous and generous benefits at the expense of ordinary citizens. They have exempted themselves from laws binding the rest of us. They have burdened us, our children, and our grandchildren with a huge national debt. They have laid on us an ever-increasing burden of taxation. Many of them have been guilty of gross immoral and unethical behavior. They have so arranged things that once in office it is nearly impossible to remove them.

Now comes, perhaps, what may prove to be the last straw—an April 1990 ruling by the Supreme Court destroying the Constitutionally mandated separation of powers between the legislative, judicial, and executive branches of government. It is Constitutional, the Justices ruled 5-to-4 in a Kansas City school-desegregation case, for a Federal judge to require local governments to increase taxes whether they wish to or not. It is strange beyond credibility that our nation rejoices over the death of socialism in Eastern Europe while seeking to impose it on ourselves.

In the Declaration of Independence, Jefferson argued the citizens' right to alter or abolish a government when it became destructive of the basic and unalienable rights of man. He went on to say, however, that experience had shown "that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed." Unfortunately, modern Americans seem accustomed to the sins of their politicians and thus are not in the mood to be rid of them. We have not demanded less government, less waste in government, a balanced budget, and a high degree of moral and ethical integrity—and so the sins and errors continue.

Someone once remarked that the trouble with politicians is that their office gives them power, and they come to believe that because they have power they also have wisdom. Certainly a knowledge of history gives the lie to any such absurdity.

The late Ben Rogge of Wabash College once wrote, "Given man's nature, freedom will always be in jeopardy and the only question that need concern each of us is if and how well we took our stand in its defense during the short period of time when we were potentially a part of the struggle."

Where are the Sons of Liberty today? We are not without hope. Freedom, the most basic right granted mankind by God, has been burned into the minds of men throughout the history of all civilized society. It remains unquenchable, and when its lack becomes intolerable, men and women will rise up and demand its rebirth.

Barbara Tuchman, in an article in the *American Scholar* (Autumn 1980), puts it this way:

> We cannot reckon the better impulses predominating in the world, only that they will always appear.
>
> The strongest of these in history, summoner of the best in man, has been zeal for liberty. Time after time in some spot somewhere on the globe, people have risen in what Swinburne called the "divine right of insurrection"—to overthrow despots, repel alien conquerors, achieve independence, and so it will be until the day power ceases to corrupt—which, I think, is not a near expectation.

Where are the Sons (and Daughters) of Liberty? They are among us yet today and always will be. Their numbers are growing. One day they will be successful once more in demanding the end of selfish power-seeking, the end of government by special interests, the end of socialism and centralization of power, and the renewal of freedom under God. □

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The Politics of Compassion

by William B. Irvine

Not long ago a colleague and I were discussing my article on Federal disaster relief that appeared in the March 1990 *Freeman*. In the article I argued, among other things, that the government should not spend money to help rebuild the homes and businesses of the victims of the 1989 San Francisco earthquake. I pointed out that someone who could own a home in San Francisco would be wealthier than most Americans, and would therefore hardly be in need of a Federal bailout; that the homeowner could and should have bought earthquake insurance; and that by "bailing out" those who failed to buy earthquake insurance, the government was inadvertently encouraging people to go without insurance.

My colleague reacted to my article not by attempting to refute its claims, but by commenting on my lack of compassion. According to him, my views on the San Francisco earthquake showed an incredible degree of "professional detachment." This, of course, was just a socially acceptable way of calling me heartless. This is a charge I have run into before, and it is a charge that anyone who opposes Big Government must learn to live with, since by opposing Big Government one must simultaneously oppose most of the things our government does to "help people."

Indeed, a case can be made that many individuals develop liberal political leanings—and come to advocate a variety of government aid programs—because they think that to do otherwise is to abandon compassion. Before we follow in their footsteps, though, we would do well to think about the nature of compassion.

There are, I think, two competing "theories of compassion"—i.e., two different ways in which we can measure how caring an individual is. There is, to begin with, what might be called the Mother Teresa Theory of Compassion. According to this theory, when *A* feels sorry for *B*, what *A* should do is expend personal effort and/or personal finances on *B*'s behalf. This theory used to be popular, but in America it has been supplanted by what might be called the Liberal Theory of Compassion. According to this theory, when *A* feels sorry for *B*, what *A* should do is cause *C* to be taxed so that *B* can benefit from the revenues thus raised.

The Liberal Theory may sound odd, but it has some obvious advantages over the competing theory. In the first place, it requires nowhere near the level of personal commitment that the Mother Teresa Theory requires. In the second place, it is far easier to spend someone else's money than your own. In short, the Liberal Theory of Compassion allows you to create the appearance that you are a caring person without simultaneously putting a dent in your lifestyle.

These two theories of compassion will, of course, differ in the "compassion rating" they assign to various individuals. Mother Teresa, for example, rates a perfect 10 under the Mother Teresa Theory (which is why I named it after her), but would rate perhaps a 2 under the Liberal Theory; someone like Senator Edward Kennedy, on the other hand, would presumably fare better under the Liberal Theory than he would under the Mother Teresa Theory.

Which Theory Is Correct?

Which theory of compassion is correct? In answering this question, it is useful to ask a second question: Who, in your opinion, is a better

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SILVER AND GOLD I DO NOT HAVE. BUT WHAT I HAVE I GIVE YOU!
PLOP!
WHAT DID YOU GIVE HIM?
THE PHONE NUMBER OF SOCIAL SERVICES!
?
COLORADO SPRINGS GAZETTE TELEGRAPH

example of a truly compassionate person, Mother Teresa or Edward Kennedy? If you think that Mother Teresa really is the more compassionate person, you will reject the Liberal Theory of Compassion in favor of the Mother Teresa Theory.

It is indeed puzzling that anyone would take a person's willingness to spend government funds on aid programs as evidence that the person is himself compassionate. By way of analogy, it would be absurd to take a person's willingness to increase Federal defense spending as evidence that the person is himself brave, or to take a person's willingness to spend government money on athletic programs as evidence that the person is himself physically fit. In the same way as it is possible for a "couch potato" to favor government funding of athletic teams, it is possible for a person who lacks compassion to favor various government aid programs; and conversely, it is possible for a compassionate person to oppose these programs.

In general, it is a mistake to use a person's political beliefs as the litmus test of his compassion. If you want to determine how compassionate an individual is, you are wasting your time if you ask for whom he voted; instead, you should ask what charitable contributions he has made and whether he has done any volunteer work lately. You might also inquire into how he responds to the trials and tribulations of his relatives, friends, and neighbors.

Politically speaking, there are three important reasons why we should favor private acts of charity over governmental aid programs. In the first place, government aid programs tend to be destructive of Americans' spirit of charity. Many Americans do not make charitable contributions and do not play a personal role in relief efforts because they feel that they have already given—not "at the office," but on April 15th on their 1040 tax forms. In the second place, a case can be made that private acts of charity are more "cost effective" than government aid programs. People are unlikely to give their hard-earned money to an unworthy recipient or to a charitable organization that will waste it. Those who administer government aid programs, on the other hand, often lack the same motivation to make sure that the money they are spending is spent wisely. In the third place, private acts of charity are voluntary: No one forces anyone to give money. The same cannot be said of government aid programs, which are funded by tax dollars.

It may be true, then, that we opponents of governmental largess lack compassion—as measured by the Liberal Theory of Compassion, at any rate. Fortunately for us, there is another way to measure compassion, and I trust that we fare somewhat better under this alternative yardstick. □

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Manipulating the Traditional Family

by Peter J. Leithart

According to Aaron Wildavsky, the use of taxation and spending as tools of broader policy goals is the chief purpose of fiscal policy in modern welfare states. "Most money," he writes, "is spent to affect citizen behavior rather than for direct government action."[1] This fact is little noted and analyzed. Yet it has become so much a part of the political atmosphere that even writers concerned with freedom accept the premise, and, instead of challenging the practice, seek to achieve their own agendas by the same means. This article is an attempt to examine the premises of "tax manipulation" from the perspective of a Christian political philosophy and to determine whether this use of tax policy is consistent with the idea of a free society.

Taxation has long been recognized as a powerful tool for achieving political, economic, and social agendas. Marx and Engels recognized the usefulness of taxation as an instrument of the proletarian revolution. In *The Communist Manifesto*, they summarized Communist theory in the slogan: "Abolition of private property." Since the bourgeois system of private property was the "final and most complete expression" of "the exploitation of the many by the few," it had to be scrapped, along with the bourgeois family, bourgeois education, and bourgeois nationalism.

The first step in this demolition of property was to be the rise to power of the proletariat, which would "use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state, i.e., of the proletariat organized as the ruling class, and to increase the total of productive forces as rapidly as possible," all of which would initially require "despotic inroads on the rights of property and on the conditions of bourgeois production." To this end, they urged the adoption, among other things, of progressive tax rates and the abolition of inheritance.[2] Private property, Marx and Engels recognized, could be undermined by tax policies, and the undermining of private property would serve their revolutionary ends.

Another giant of modern economic theory, John Maynard Keynes, also viewed fiscal policy —taxing and spending—as a tool for larger, chiefly economic, policy goals.[3] Alfred Malabre, Jr., summarizes the Keynesian approach:

> Keynesian theory urges that government spending be stepped up during recessions, even if an appreciable budget deficit happens to be among the consequences of such stimulative measures. A corollary to this notion is the danger of a so-called liquidity trap, which may develop when money is pumped into public hands but is saved and not spent. As savings pile up, the economy noses down on account of lackluster spending.
>
> The Keynesian solution, as it has often been applied by policy makers in postwar American recessions, is for Uncle Sam to spend until business recovers. According to this theory, tax reduction tends to stimulate the economy, by leaving more money in the hands of consumers, while tax increases work the opposite way.[4]

Keynesian theory views fiscal policy as a tool to regulate aggregate demand.[5]

Supply-side theory also emphasizes the impor-

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tance of tax policy in the achievement of economic growth. Paul Craig Roberts distinguishes between Keynesian theory, which seeks to "manage demand" through tax policy, and supply-side theory, which focuses on the incentives produced by tax cuts. Supply-side theory, Roberts argues, pays no attention, as Keynesian theory does, to aggregate demand. According to supply-side theory, tax cuts stimulate the economy because they make savings, investment, and work more profitable, regardless of aggregate demand.[6] Despite these differences, it is still true that Keynesian and supply-side theory both see tax policy as an instrument for the advancement of larger economic goals. The Keynesian uses fiscal policy to regulate demand, while the supply-sider uses tax policy to stimulate economic growth.

Finally, tax policy is seen by many as a tool for achieving a more "democratic" egalitarian distribution of wealth. By taxing the rich at confiscatory rates, and redistributing the money to those defined as "poor" (and to the bureaucrats who run Federal programs), the federal government seeks to equalize wealth. Herbert Schlossberg has argued that this form of egalitarianism is rooted in envy:

> It has been a common assertion that envy is fostered by inequality and can be ended by equalitarian redistribution. British economist E. J. Mishan believes that feelings of deprivation that cause envy will be eliminated in the process of equalization, and that the progressive income tax is the best way to accomplish that task. "Ideally . . . the tax should suffice to cover all the initial and subsequent claims necessary to placate everybody in the lower-income groups, and the stronger is this envy of others, the heavier must be the tax."[7]

Some feminists have found in tax policy a powerful tool for achieving their social agenda. In the United States, tax policies tend to force families into a more egalitarian mold, even when the families don't accept feminist ideology. George Gilder has written:

> The United States is enacting many of the policies that brought sexual suicide to Sweden. Despite the defeat of the Equal Rights Amendment and universal day care, the feminists are gaining their ends piecemeal. In particular, the decline in the value of the child deduction has shifted the tax burden massively onto families with children. Through court decisions in favor of comparable worth, through the infiltration of the schools by feminist texts and teachers, through the day-care tax credits and other subsidies for the two-earner family, and through the rapid erosion of the joint income-tax return and the housewife's right to social security, feminists are winning quietly by legal and legislative action what they cannot win in referenda.[8]

Should Tax Law Be Changed?

Faced with these facts, some conservative writers are advocating changes in tax law that would encourage traditional family structures and large families.[9] Allan Carlson, a pro-family conservative, proposes "a somewhat progressive income-tax structure that recognizes and supports marriage." Specifically, "the tax system should give strong preference to children as national treasures." To this end, "Congress should: (1) double the personal exemption, for children only, from the current $2,000 to $4,000 per child; (2) expand child-care tax credit into a universal credit set at a fixed amount of $750 per child, available to all families with a preschool child . . . ; and (3) create an additional universal Dependent-Child Tax Credit of $600 per child."[10] These incentives would encourage larger families, without forcing mothers to choose between family and career.

Demographer Ben Wattenberg also advocates changes in tax policies that would encourage larger families. The federal government should not only encourage large families, but should encourage women to stay home with their children. How? "Give them money. Lots of it, in order to at least partly compensate for lost earnings."[11]

A different argument for pro-family tax policies is offered by Bryce Christensen, writing in the Rockford Institute's *Family in America* newsletter, who observes that traditional, two-parent families are statistically healthier than broken families. It is unjust, therefore, for intact families to carry so heavy a burden for health care. Governments "must either impose values or impose costs," and public policy ought to strengthen, rather than weaken, the family. Christensen maintains: "Government affirmations of marriage and legitimacy might marginally restrict the freedom of some, but government indifference to these standards will

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mean economic injustice for all those who safeguard their health by making the personal sacrifices that family life requires."

In other words, these writers urge the use of tax policies to achieve anti-feminist goals. In my judgment, the goals of these policies are laudable,[12] and these proposals are preferable to current policies. But what about the means of achieving these goals? As a Christian, I would ask the further question of whether such policies are consistent with a Christian view of the role of civil government.

Defining the Role of Civil Government

This question requires an examination of several related issues. First, what is the function of civil government? Romans 13:1-7 is the classic scriptural text on the role of the civil ruler. According to Paul, the main function of the ruler is to execute God's vengeance, that is, to punish wrongdoing and to "praise" those who do right. On the other hand, Scripture strongly condemns rulers who claim absolute sovereignty over their subjects. Nebuchadnezzar was reduced to a beast because of his arrogance (Daniel 4:28-37). Under God, the civil ruler has a legitimate and positive role to play in a free society, but he is not called to control the lives of law-abiding citizens.

Second, what is the nature of the family? Taking a biblical approach, we discover that in the New Testament, the Christian Church is the Christian's true family, and his commitment to the Church is more absolute than his commitment to his blood family. Jesus said in the strongest terms that we must break our ties to our blood relatives if they conflict with our loyalty to Him and to His people (Luke 14:26). Loyalty to the blood family is not absolute. Promotion of the blood family is less crucial than the pro-family conservative maintains. This is not to say that the family is unimportant, or that we should neglect the family. Rather, it is simply to say that the Church is *more* important.[13]

Further, it is clear that a person can be healthy and can make contributions to society even if he has no family. From a Christian perspective, we could note that Jesus was the perfectly healthy Man, and never married. Paul never married. The New Testament clearly presents marriage as a calling (I Corinthians 7). It is suitable for some, but unsuitable, for various reasons, for others. Family, like marriage, is a calling. Some men are called to be husbands and fathers; some are not. Some women are called to be wives and mothers; some are not. Even some married couples might not be called to become parents. Men and women are normally intended to live in families, yet men and women can live healthy lives and promote the good of others without either marrying or bearing children. Though the Bible does envision strong families, it does not view the family as a salvific institution, as some conservative writers tend to do. Leaving aside for the moment the theological and biblical arguments, it is still the case that there are many single persons who make substantial contributions to the good of society.

Once we qualify the importance of the family, we are forced to the conclusion that promoting the family ought not to be the supreme test of the rightness of a public policy. Adherence to or consistency with norms of justice is our standard.

Faith and Economics

All of this suggests that the tax policies of a civil government should not seek to manipulate people into commitments to which they are not called, or penalize them for failing to adhere to the social goals of the rulers. Christensen admits that his recommendations involve "marginal" restrictions of freedom for single men and women. But why should men and women who have been called to singlehood have their freedom restricted in any way? More basically, Christensen's analysis tends to assume that people remain single for selfish reasons, because they do not want to make the sacrifice. But this is not true in every case. Even if it were true in the majority of cases—an unprovable assumption—tax policy would not solve the basic problem, which has more to do with faith and commitment than with economics.

Having outlined some biblical principles of both family and civil government, we can raise a more precise question: What role is the magistrate to play in the family? The one specific biblical warrant for intervention in the family by civil judges —i.e., the punishment of incorrigible juveniles —involves capital punishment of a criminal (Deuteronomy 21:18-21). There is no specific biblical warrant for other kinds of state intervention, though it is possible to extrapolate from this case law to other criminal cases. But one cannot infer

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from this passage a general warrant for civil oversight of family life. As a general principle, interference with family life by civil officials should be limited to punishment of criminals.

This conclusion is also supported by a consideration of the question of property rights. When tax laws promote certain uses of money or certain forms of conduct, the framers of those laws are implicitly claiming that they know best how a person's wealth should be spent, how many children he should have, and whether his wife should work. The issue here is, who has the right to make decisions about the use of property or the structure of family life? Does the civil ruler have the right to erect obstacles in the way of certain perfectly legal behavior, or to clear the path for alternative, equally legal behavior? More bluntly (if less precisely), the question is, who is the steward of wealth and property, the civil magistrate or the family and individual? Who is the head of the family, God or Caesar?

Through their tax regulations and policies, Congress and the IRS implicitly claim the right to determine how resources are best used; they claim, in short, a right of ownership. In a free society, the choice of whether to borrow or save and invest would be left to the individual and family. Decisions about family size and structure would be made by the family, without the added pressures of tax policy. It is not the civil government's place to encourage one result or the other.

Of course, Christensen is correct that tax policy is not neutral in relation to the family. It is either pro- or anti-family. But there is more than one way for taxation to be pro-family. Freeing the family from manipulative taxation is just as pro-family as subtle changes in tax law. Using the tax system to adjust economic and social conduct politicizes the whole of society, and is inherently, if only implicitly, totalitarian.[14] □

1. Carolyn Webber and Aaron Wildavsky, *A History of Taxation and Expenditure in the Western World* (New York: Simon and Schuster, 1984), p. 603.

2. Karl Marx and Friedrich Engels, *The Communist Manifesto*, in *Marx and Engels: Basic Writings on Politics and Philosophy*, ed. Lewis S. Feuer (Garden City, N.Y.: Anchor Books, 1959), pp. 20-29.

3. On the Christian employment of Keynesian theory, see Ian Hodge, *Baptized Inflation: A Critique of "Christian" Keynesianism* (Tyler, Texas: Institute for Christian Economics, 1986).

4. Alfred L. Malabre, Jr., *Beyond Our Means: How Reckless Borrowing Now Threatens to Overwhelm Us* (New York: Vintage Books, [1987] 1988), p. 69.

5. Even Mikhail Gorbachev has begun to employ deficit spending in an effort to stimulate the Soviet economy. See Richard Parker, "Gorbanomics," *The New Republic* (February 27, 1989), pp. 18-20.

6. Paul Craig Roberts, "'Supply-Side' Economics: Theory and Results," *The Public Interest* (Fall 1988), pp. 16-36. Opponents of supply-side economics see the "Reagan recovery" as a classic Keynesian recovery, stimulated by Federal spending, huge deficits, and tax reductions.

7. Herbert Schlossberg, *Idols for Destruction: Christian Faith and Its Confrontation with American Society* (Nashville: Thomas Nelson, 1983), p. 103. The quotation from Mishan is from "A Survey of Welfare Economics, 1939-1959," *The Economic Journal* (June 1960), pp. 247-48.

8. George Gilder, *Men and Marriage* (Gretna, La.: Pelican Publishing, 1986), p. 153.

9. The practice of using taxation to protect the family is ancient. James Coffield describes the "pro-family" inheritance tax of Augustus: "Augustus legislated against celibacy, rewarding fathers of families and inflicting certain disabilities on celibates and married men without children. For example, unmarried men could not take inheritances or legacies, except from the nearest relatives; while married men who were childless could take only half the amount." (*A Popular History of Taxation* [London: Longmans, 1970], p. 25)

10. Allan Carlson, "A Pro-Family Income Tax," *The Public Interest* (Winter 1989), pp. 75-76. On President Bush's proposal of a universal child credit, see "Them's the Breaks," *The New Republic* (February 27, 1989), pp. 7-8. The *New Republic* editors laud Bush's proposal as "an interesting synthesis—liberal in its attention to the needs of poor people, and conservative in its avoidance of 'anti-family' incentives for using day-care centers. Whereas the [Democratic] Act for Better Child Care would reimburse only payments made to government-certified day-care providers, the Bush proposal would leave parents free to send their child to the next-door neighbor, to grandma's, or to an inlaw's." In fact, the editors rightly characterize the proposal as "really just an income supplement for poor working families with children."

11. Ben Wattenberg, *The Birth Dearth: What Happens When People in Free Countries Don't Have Enough Babies?* (New York: Pharos Books, 1987), pp. 150-51. Wattenberg's subtitle reveals his preoccupation with the foreign policy implications of low birth rates.

12. I consider the *Family in America* newsletter one of the most helpful publications available. I have learned a great deal from reading the essays printed there, and my challenge at this point should not be construed as an attack on the institution or its publications as a whole.

13. Contemporary efforts to support the traditional family by tax policies bear striking similarities to the practice of medieval governments of giving aid and protection to the Church.

14. Incredibly, Ben Wattenberg suggests Eastern European Communist nations as models for pro-natalist tax policies: giving money to parents who have children "is an important part of the solution that has worked at least for a decade or so with those dear Communist governments in Eastern Europe." See *The Birth Dearth*, p. 150; also pp. 141-44. On pp. 143-44, Wattenberg says, "if we were to follow the workable and decent parts of the Eastern European model, and adapt them to free circumstances, we are talking about using enormous resources." Eastern European nations provide not only cash grants to parents, but "day care, scholarships, maternal leave, [and] housing allowances." (p. 142) Clearly, Wattenberg is no fellow traveler, and I am far from saying that pro-natalist policies are wrong *because* Eastern European nations employ them. My argument is rather that the Eastern European model cannot be "adapt[ed] to free circumstances" because this model assumes an enslaved populace, whose entire life is centrally directed.

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Comparable Worth: Feminism Turning to Paternalism

by Wendy McElroy

One of the most controversial feminist issues of the 1990s will be comparable worth—the idea that women should be paid the same as men in jobs of comparable value. Advocates claim that pay equity would strike at the very heart of gender discrimination. Thus, the free market could be converted into an instrument of social justice, rather than one of oppression.

More specifically, advocates claim that comparable worth would eliminate the wage gap—the wage disparity whereby women who work full time are reported to receive only 60 cents for every dollar received by men. It is with the socio-economic goal of wage justice that many recent lawsuits concerning comparable worth have been launched.

Understandably, economists and businessmen have been reluctant to transform the marketplace into a tool for social reform. In general, their criticisms of comparable worth have focused on several economic issues. They contend that the wage gap has been vastly exaggerated; comparable worth will price American products out of world markets; it will overprice the labor of women, thus creating unemployment for them; and it will penalize individual employers for following a wage structure dictated by the free market.

But lurking beneath the surface of the economic debate are more fundamental disagreements. Several assumptions underlie the comparable worth controversy.

Ms. McElroy is the editor of Freedom, Feminism, and the State *(Cato Institute, 1982), which was recently republished as a university text by Holmes and Meier.*

Perhaps the most basic assumption of comparable worth is that the marketplace is incapable of providing justice. What else can explain the fact that a nurse, who preserves human life, is paid less than most garbage men? To these reformers, the market has been corrupted by centuries of discrimination, and must be corrected by legislation.

Critics of comparable worth counter that the marketplace was never meant to be an arena of social reform. It is simply a coordinating mechanism that tends to balance demand with supply. The price of labor, like the price of any other commodity, doesn't express a moral ideal, but the preferences of buyers and sellers in the market. To these critics, the marketplace is a mirror of society. To attack it is, at best, to attack the reflection of discrimination—not the cause or the source. It is like breaking a looking glass because it reflects too well.

Moreover, they point to instances where the free market has worked against discrimination. In South Africa, for example, government policies impose discrimination upon the market. Nevertheless, native laborers tend to go wherever there is work. Despite government fines and penalties, employers hire cheap black labor. Government regulations cannot change the economic law of supply and demand; all they can do is make it function in back alleys and underground.

Another fundamental difference in theory soon arises. Advocates of comparable worth believe that there is an inherently just wage attached to every category of labor. This "just wage" is supposed to be independent of market forces—labor

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is alleged to have an economic value apart from what anyone is willing to pay for it.

Inherent Value?

The concept of inherent value is nothing new. It dates back to the medieval guilds, which determined and enforced a "just price" for the goods they produced. More recently, Karl Marx put forth a labor theory of value, by which goods had inherent worth based on the labor required to produce them. If a worker received compensation below this just price, the discrepancy was said to be stolen money.

Unfortunately for these theories, they don't explain the world around us. If commodities have inherent worth, how can we account for the price fluctuations we see in world markets every day? Moreover, any skill is economically worthless if someone isn't willing to pay for it.

But the concept of inherent worth raises at least two other sticky questions: what is the measure of worth, and who will judge it? If the marketplace is an expression of discrimination, then any fair measure of worth must be independent of it. Nevertheless, advocates of comparable worth fall back upon the market price for labor as the only real standard available. Using this shaky starting point, reformers search for an objective standard of a just wage.

Perhaps the most influential of these new standards is the one generated in 1974 by the consulting firm of Norman Willis & Associates when it performed a comparable worth study for the State of Washington. This study assigned numerical scores to all classes of labor on the basis of four factors: knowledge and skills; mental demands; accountability; and working conditions. Committees then added up the numerical scores of different jobs and ranked them with respect to each other. Their findings, along with "expert" testimony, were offered to the courts as proof of the need for comparable worth legislation.

But these so-called objective results depended entirely upon who the experts were and who hired them. After all, the very attempt to measure value requires a concept of what value is, and this is subjective. The subjectivity has been highlighted by discrepancies within comparable worth studies themselves. For example, in Minnesota, a registered nurse, a chemist, and a social worker were ranked as equal. In Iowa, a nurse ranked 29 percent higher than a social worker, who ranked 11 percent higher than a chemist. This is a strange objectivity.

A New Paternalism

The controversy over comparable worth is not merely between advocates and denigrators of the free market. It is within the roots of feminism itself. Feminism of the late 1960s and early 1970s called upon women to become independent—"A woman's body, a woman's right." Historically, the movement recognized that government legislation had been one of the major barriers to women owning land, negotiating their own contracts . . . being economic persons in their own right. But feminism in the 1990s is calling upon the government to intervene in women's economic negotiations for the purpose of securing justice. There is a word for such intervention: paternalism. Paternalism is a word most often used with regard to mental incompetents and children. As a feminist, I shudder to see it now applied to women. □

IDEAS ON LIBERTY

Oppressive Government

Throughout the ages the market order has been most supportive of women's rights. . . . The political command order, in contrast, reveals an uninterrupted record of discrimination. It applies the force of government to benefit one class of subjects at the expense of another class. It thrives on the political support from its beneficiaries, and brushes aside the protests of its victims.

—Hans F. Sennholz, "Women, Work and Wages"

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Cable TV Needs Competition

by John Merline

Consumer complaints about rising cable rates and declining service have spurred Congress to rethink its 1984 cable-deregulation law. According to Senator John Danforth, "Cable rates have increased because of the deregulation of the 1984 Cable Act." So legislators have moved to undo the "damage" done six years ago, by reimposing rate regulation.

As is too often the case when addressing economic issues, Congress is looking at only half the picture. While the 1984 Act deregulated cable *rates* (forbidding most cities from setting rate caps), it did nothing to break up the local monopolies that, in most cities, provide cable to consumers.

Of the 9,000 cable markets, only about 45 are competitive. The rest are operated as local monopolies, with the city government deciding *beforehand* which company will be the sole provider. Once the cable company is in place, protected by government from competition, the expected inefficiencies result, producing higher prices and poor quality with little hope for improvement.

Underlying all this is the assumption that cable TV, because of the high fixed costs involved in providing it, must operate as a "natural monopoly," much like the utilities. A survey by *Consumers' Research* magazine (see opposite page) shows this nostrum to be invalid.

According to the survey, cable can compete successfully for consumer dollars, and when it does, prices, on average, are lower to consumers, and service (measured in the number of channels provided) is better.

The survey covered 26 competitive markets and compared these markets with 26 comparably sized non-competitive markets in close proximity. In these 52 markets, rates for basic cable (cable with no premium channels) were 18 percent lower in competitive markets than in non-competitive markets ($14.23 per month vs. $17.33 per month). Further, in areas where more than one cable company existed, more channels were provided on average (39 vs. 33), making the cost per channel about 33 percent lower (37 cents per channel vs. 55 cents per channel).

In some locations, such as Chula Vista, California, Orange County, Florida, and Cumming, Georgia, cable rates were lower in areas where cable competed, but higher in directly adjacent areas where it did not. For example, Cox Cable charges $11.85 a month in areas of Chula Vista where it competes directly with Ultronics, but hikes its rate to $17.95 in those neighborhoods where it doesn't compete.

In many areas, such as Vidalia, Georgia, Henderson, Tennessee, and Troy, Alabama, the monopoly provider lowered its rates after a competitor entered the city. In Henderson, the city government had fruitlessly attempted to get Multivision, the monopoly provider, to lower its rates. Frustrated, it asked a competitor to come into the market, and Multivision slashed cable rates from about $20 to $9, while adding channels to its service.

In Troy, Storer lowered its rates in 1990 to celebrate its 10th anniversary. In nearby Montgomery, where Storer currently faces no competition, rates were raised to $18.25. As Harold Freeman, president of Troy Cablevision, notes, "When you have competition, you don't need a regulatory agency. That's evident by what's going on here in Troy."

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BASIC CABLE RATES IN SIMILARLY SIZED COMPETITIVE AND NON-COMPETITIVE MARKETS[1]

Competitive[2]				Non-Competitive			
City	Monthly Rate	Number of Channels	Price Per Channel	City	Monthly Rate	Number of Channels	Price Per Channel
Troy, Ala.	$11.98	42	26 cents	Montgomery, Ala.	$18.25	29	63 cents
Mesa, Ark.	16.45	44	37	Phoenix, Ariz.	18.95	36	52
Chula Vista, Calif.	11.85	33	36	Chula Vista, Calif.[3]	17.95	29	62
Sacramento, Calif.	16.23	33	49	San Francisco, Calif.	19.00	31	62
Cape Coral, Fla.	12.60	54	23	Fort Myers, Fla.	17.75	41	43
Citrus Co., Fla.	12.16	43	28	Brooksville, Fla.	17.61	30	59
Orange Co., Fla.	9.62	42	23	Orange Co., Fla.[3]	16.95	30	56
Orlando, Fla.	15.50	31	50	Ft. Lauderdale, Fla.	16.20	33	49
Brunswick, Ga.	12.48	54	23	Waycross, Ga.	15.75	41	38
Cumming, Ga.	19.45	43	45	Clarkesville, Ga.	15.95	29	55
Vidalia, Ga.	14.25	35	41	Louisville, Ga.	17.50	19	92
Warner Robbins AFB, Ga.	11.98	34	35	Macon, Ga.	17.25	34	51
Boone Co., Ky.	17.63	55	32	Covington, Ky.	19.30	54	36
Frankfort, Ky.	7.00	30	23	Lexington, Ky.	13.00	34	38
Glasgow, Ky.	11.23	43	26	Bowling Green, Ky.	18.35	32	59
Anne Arundel Co., Md.	13.08	37	34	Leonardtown, Md.	17.50	33	53
Monroe, Mich.	15.73	42	37	Adrian, Mich.	16.95	29	58
Omaha, Nebr.	15.83	35	45	Lincoln, Nebr.	15.95	30	53
Hillsboro, N.C.	18.23	32	57	Carrboro, N.C.	17.95	28	64
Paramus, N.J.	17.70	30	59	Palisades Park, N.J.	16.50	33	50
Cleveland, Ohio	14.47	41	35	Akron, Ohio	18.50	30	61
Allentown, Pa.	14.73	47	31	Reading, Pa.	18.62	50	37
Pottsville, Pa.	13.30	30	44	Lebanon, Pa.	15.95	30	53
Henderson, Tenn.	10.48	38	28	Jackson, Tenn.	16.95	36	47
Carollton, Tx.	17.95	38	47	Addison, Tex.	17.95	32	56
Sandy, Utah	17.95	31	58	Ogden, Utah	17.95	24	75
Average	**$14.23**	**39**	**37 cents**	**Average**	**$17.33**	**33**	**55 cents**

1. Communities are similarly sized and/or in close proximity to one another.
2. Figures are averages for the rates and number of channels provided by competitors in these cities.
3. Rates are for basic cable in this area where not competitive.

SOURCE: March 1990 telephone survey by *Consumers' Research.*

New Technology and "Natural Monopoly"

The notion that cable is naturally monopolistic is further undermined by technological developments that allow companies to provide cable without the need for stringing or laying cable throughout a city. These technologies include private cable, wireless cable, direct broadcast satellite, and the use of common carrier lines. In addition, local telephone companies could easily provide cable to people in their jurisdictions.

With private cable, the operator pulls cable channels in from a satellite and transmits them to residents of a large apartment complex or housing development. He can then send the cable signal to other buildings using microwave transmissions.

Wireless cable operates like over-the-air TV, in the sense that its signals are sent from a main transmitter to antennas mounted on the roofs of subscribers' homes. There are currently about 32 wireless cable companies in the United States.

Direct broadcast satellite, a new development, allows the direct transmission of cable signals from

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a satellite to people's homes. The new technology allows for the use of smaller dishes to pick up the signal than are currently in use, making it a more viable cable option to urban dwellers than current satellite cable.

Common carrier lines are installed by one company, usually the phone company, and then rented to any company that wants to send its signal over the wire. This method of delivering cable is currently being attempted in Chicago.

The local phone companies, or Baby Bells, are also trying to offer cable as part of their phone service; their efforts have been widely reported in the news. Currently, the Baby Bells are prohibited by law from providing any service other than local phone service, a prohibition which the Federal Communications Commission claims "no longer serves the public interest."

If allowed to develop, these methods of providing cable could quickly spur competitive forces in the industry.

Roadblocks to Competition

But if cable can compete, as seems obvious from the available data, then why does so little competition exist? Primarily, the reason is that city governments, cable operators, and cable programmers, each with a vested interest in the heavily regulated and non-competitive market, have thrown up countless barriers to entry into the cable marketplace. Far from a natural monopoly, cable's current status is, in reality, the result of deliberate policy.

City governments prevent competition in several ways. According to James Mooney, president of the National Cable Television Association, competition almost never occurs because cities "require so many commitments that only one franchise could survive economically." (A franchise is a permit to use rights-of-way to string or lay cable in a city.)

When most cities set out to award cable franchises, they did so with the understanding that cable offered a source of potentially huge revenues flowing from cable subscribers to city coffers. In what amounts to a consumer tax on cable, most cities charge cable franchises 5 percent of their gross revenues, along with requirements for elaborate public access facilities, free telecommunications for local government, and other goodies. These costs are, of course, borne by consumers. According to Thomas Hazlett, an economist at the University of California at Davis, 20 to 30 percent of an average consumer's cable bill pays for these city-mandated benefits.

Just winning a franchise can be exorbitantly expensive. Cable companies have spent millions of dollars trying to convince city officials that they should be the sole provider of cable services. In Denver, for example, three companies spent more than $1 million each in advertising, promotion, and lobbying to win the city's franchise.

To keep the franchise money flowing in, cities have a strong incentive to keep competitors out. As Mark Tauber, a lawyer who represents private cable companies, notes, cities "have attempted to curtail development of [competitive cable services] in order to ensure that the traditional franchised system, from which they receive a percentage of gross revenues in the form of franchised fees, controls the lion's share of the local market."

A famous example of this is the *Preferred Communications* v. *City of Los Angeles* suit, in which the company, Preferred, has been attempting for seven years to obtain the right to build a competitive system in the depressed Watts area of Los Angeles. The city, oddly enough, cites as one of its reasons for denying Preferred a franchise the possibility that allowing competition might jeopardize "cable service to all regardless of income."

In addition, city governments have vigorously litigated against even those competitors that don't need franchises to build cable systems, such as private or wireless cable. Such legal actions have occurred in Dallas, Indianapolis, New York, New Jersey, Chicago, and Washington, D.C.

Having bought into this regulated market, incumbent cable operators are extremely reluctant to give up their monopoly position. As one large cable operator put it: "When the city has held your feet to the fire and is taking 5 percent [in franchise fees] off the top, it infuriates you to see them not take action against someone who comes in and cuts into your business."

Cable operators in Kentucky, the Bronx, Chicago, and Florida, among other locations, have bitterly fought new entrants into their markets, not by competing, but through lawsuits, ad campaigns, and complaints to city officials. In Glasgow, Kentucky, for instance, the monopoly provider, Telescripps, filed two lawsuits attempting to keep a competitor out.

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Incumbent operators will sometimes go to absurd lengths to convince city officials that one cable company is better than two. In Cape Coral, Florida, Cablevision ran a series of advertisements in local newspapers claiming that competition from Telesat cable would mean that "600 to 700 trees would be damaged," that cable rates would be higher, and that "competition rarely endures."

Meanwhile, in Collier County, Florida, the monopoly provider, Palmer Cable, invited the media and community leaders to a complimentary breakfast "and then proceeded to blow its own horn" and attack "Telesat and any other cable company that may want to invade Palmer's territory," according to an article in the *Marco Island Eagle.*

Chicago Cable TV, the franchised operator in the area, convinced the city to bring suit against 21st Century, a private cable company, effectively shutting down its operations.

The "Crown Jewels" of Cable

If this weren't bad enough, potential competitors face one final obstacle: getting quality programming. The way cable works, an operator must obtain programming from various suppliers, such as ESPN, TNT, the Discovery Channel, and others. These programs make up the "crown jewels" of basic cable service, without which it is nearly impossible to sell cable TV. According to Gene Kimmelman, executive director of the Consumer Federation of America: "Virtually all of the major programmers deny access to or discriminate against [competitive] operators in provision of programming."

A recent survey by Information Age Economics, Inc., of the 32 wireless cable companies in the United States bears this out. The survey found that 25 wireless systems were denied access to HBO, 14 were denied access to ESPN, 26 were denied the SportsChannel, and 31 were denied TNT. "Even when programming is made available to wireless cable systems," notes the report, "it is often available only on a restricted basis," that limits distribution to certain geographic areas. In Cleveland, for example, MetroTEN can transmit HBO only to those areas where it has a franchise, but not to nearby neighborhoods where it does not.

According to some industry analysts, programmers are reluctant to sell to competitive cable operators either because the programmers are owned outright by large "multiple system operators" (or MSOs, cable companies with franchises in several cities), or because the MSOs use their market power to convince programmers not to sell to smaller competitors. According to Sol Schildhause, a lawyer active in promoting competitive systems, "The MSOs' clout with the major cable networks is turning out to be sufficient to assure that the second operator will have to try to compete without being able to offer cable programming that viewers have demonstrated they will pay for." Without these crown jewels, competitors are at a serious disadvantage.

In the absence of local regulation, the cable industry would likely have developed very differently. For example, because of the high costs imposed by city governments on cable franchises, only larger, better financed companies were equipped to compete for franchises. Smaller companies simply could not afford to pay for the advertising and promotion involved in swaying city councilmen, let alone pay for all the perks mandated by city officials. (In Sacramento, for instance, the winning franchise agreed to purchase 20,000 trees for the city.)

Upon winning a franchise, the monopoly providers of cable were able to use their profits to buy up franchises in smaller markets. In almost all the areas surveyed by *Consumers' Research*, the incumbent cable operator was owned by one of the large MSOs, such as TCI, Cablevision, or Multivision. In other words, the current system, with huge mandatory initial costs and monopoly profits, fostered concentration of the industry in a few hands.

It was this market power held by a few companies that led, in turn, to the MSOs' having the ability to convince programmers not to sell to smaller competitors. Cable companies appear able to assure programmers that selling to the competition would be bad for business, which they would likely be unable to do if competition were the norm rather than the exception. (In the cable industry, competition is referred to as "overbuilding," a term that carries with it a subtle pejorative meaning that competition in the industry is "wasteful." Does having two supermarkets in a neighborhood mean that the area is "overbuilt"?)

When competition is allowed, the other roadblocks are likely to fall. That is, if programmers realize that it is in their best interest to sell to all cable systems, they probably will do so. In a com-

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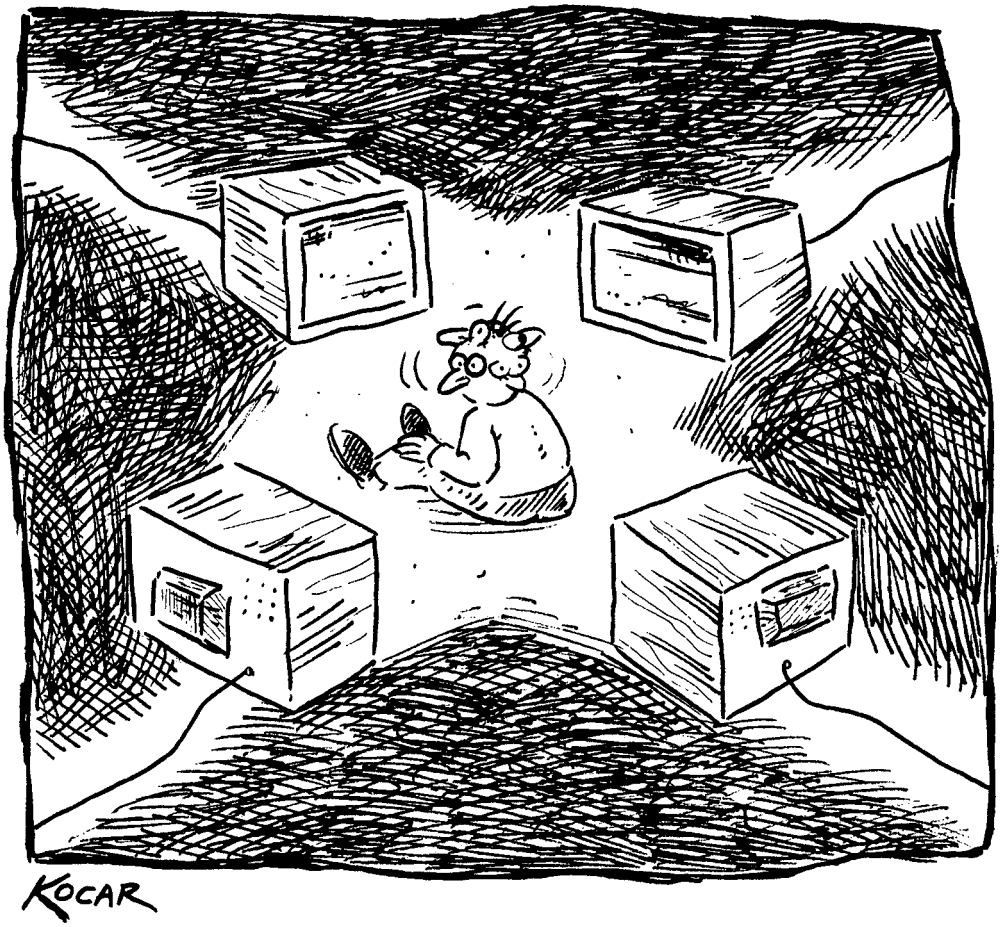

petitive environment, such as in supermarket sales, it does a supplier no good to sell to only one company if a large number of the area's customers are buying from another company. There is anecdotal evidence, for instance, that in competitive cable markets, "penetration" (the number of homes that can receive cable) increases. That is because each firm is fighting to win as many subscribers as possible, and so they wire areas that previously had been skipped. This was the case in Troy, Alabama; Anne Arundel, Maryland; Boone County, Kentucky, and other areas. Many of the competitive firms claimed that the first areas they wired for cable had been left unwired by the incumbent cable companies.

When cable companies compete, lower prices occur. More people are likely to subscribe to the service when it is less expensive. It is not likely, however, that this common-sense principle will be understood by programmers unless more areas in the country are competitive. As it stands, the only information comes from the powerful cable monopolists, who chant to programmers that new cable can't compete and that the competitors are probably fly-by-night operations who will provide few customers.

Cable TV suffers not from too much deregulation, but from too little. What is needed is a reversal of local government policies that prevent competitors from entering the marketplace. When cable does manage to compete, despite all these obstacles, the lesson is clear: the free market exerts downward pressure on prices, and upward pressure on quality. □

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On the Right to Strike

by Charles W. Baird

Strikes have re-emerged as a political and labor relations issue. During most of the 1980s, private sector unions used their strike-threat weapon very sparingly. Many employers and unions pointed out that if American industry is to regain its competitive strength, the adversarial union relations model of the National Labor Relations Act (the Wagner Act of 1935, amended by the Taft-Hartley Labor Act of 1947 and the Landrum-Griffin Act of 1959) must be replaced by more cooperative labor relations. However, it now appears that many in the union hierarchy have decided to revive adversarial relations in general and strike threats in particular.

Three recent strikes have received a lot of media attention—the Eastern Airlines strike, the Pittston Coal strike, and the Greyhound strike. The thrust of the media coverage has been that the strike-threat weapon isn't nearly as formidable as it used to be. The chief culprit is alleged to be President Reagan. When he fired the PATCO strikers in August 1981 and successfully hired replacements, he created a model that private sector employers now emulate. It used to be that employers thought it would be bad public relations to hire replacement workers during a strike, but according to the media, Reagan's actions have removed the stigma. Furthermore, during the 1980s the Supreme Court issued several decisions that significantly reduced the economic value of the unions' strike-threat weapon.

Unionists are so upset at these setbacks that they have sought relief from Congress. Legislation has been submitted in the House and Senate that would make it illegal for any employer to hire permanent replacement workers during a strike. William Bywater, president of the International Union of Electrical Workers, asserts that the union hierarchy has adopted this legislation as its principal legislative priority in the present Congress. Moreover, the Supreme Court cases were all decided on legislative, not constitutional, grounds, so Congress can override the Court by passing ordinary remedial legislation. Some unionists have proposed just that.

Before they rush to do the bidding of the AFL-CIO, legislators ought to examine the nature of the strike-threat weapon and consider in what sense, if any, there exists a legitimate right to strike. That is what I propose to do in this essay.

The Three Strikes

In March 1989 the International Association of Machinists (IAM) went on strike against Eastern Airlines. At first, pilots and attendants joined the strike; but after 164 days they announced they were willing to cross the IAM's picket lines. The IAM is still on strike, but some Eastern mechanics have crossed the picket lines, and Eastern has filled with replacement workers as many other slots as it needs for its current operations.

In April 1989 the United Mine Workers went on strike against Pittston Coal Company. The strike wasn't settled until February 1990. During this long struggle, striking miners ran up $65 million in court-ordered fines for illegal, often violent actions. Part of the strike settlement called for Pittston to try to persuade the courts to drop the fines

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Striking Greyhound employees confronting the nonunion driver of a Greyhound bus in New York City last March.

against the strikers. So far the courts have refused to do so.

On March 2, 1990, the Amalgamated Transit Union took 6,300 Greyhound Lines bus drivers out on strike in an attempt to shut down Greyhound's operations nationwide. The attempt failed because 1,800 drivers immediately crossed the picket lines, and Greyhound hired what it said were "permanent" replacements for most of the strikers. As of mid-April 1990, there had been 30 or more instances of gunfire attacks and a myriad of less serious acts of violence against buses and their drivers and passengers. On April 10 Greyhound filed a $30,000,000 lawsuit against the striking union based on alleged acts of violence and extortion.

What Is a Strike?

When I ask students to define the word "strike," the most frequent answer I get is that a strike is a collective withholding of labor services by workers who do not like the pay and benefits package an employer has offered to them. This is the definition of strike that appears in most textbooks. If this definition were accurate, I would strongly affirm that there is a moral, as well as a legal, right to strike. But the definition is wrong. Section 13 of the National Labor Relations Act gives unionized private sector workers a legal right to strike, but there is no moral right to strike.

A strike is more than a collective withholding of labor services. It is, in addition, an attempt to shut the employer down by denying the employer access to suppliers, customers, and, most important, workers who are willing to work. The picket line is the principal means to this end. As the Supreme Court acknowledged in *American Steel Foundries* v. *Tri City Trades Council* (1921), even peaceful picket lines can intimidate. Moreover, picket lines are seldom peaceful. People who attempt to cross picket lines are routinely threatened and are often subject to violence. The Pittston and Greyhound strikes are merely the most recent examples of the true nature of picketing during strikes. That is why the Supreme Court, in strongly affirming the voluntary exchange rights of all participants in the labor market, limited picket-

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ing to one picket per entrance in the *Tri City* case. The National Labor Relations Act has changed the law, but it hasn't changed the right.

A Legitimate Right to Strike

There is an awful amount of muddled thinking about rights on college campuses and among the judiciary. According to the jurisprudential doctrine called legal positivism, legislation creates rights. There are no natural rights. It's a matter of counting the votes. For example, if there are enough votes in Congress in favor of creating a right for person A to interfere in a voluntary exchange relationship between persons B and C, then such a right may be created. All that is needed is that the correct procedures for enacting legislation be followed. According to this view, there are no substantive limits on what Congress may enact.

Legal positivism emerged in American jurisprudence during the first third of the 20th century. Roscoe Pound, Louis Brandeis, Felix Frankfurter, and Oliver Wendell Holmes, Jr. were among its chief protagonists. Legal positivism gained majority support on the Supreme Court during the New Deal, and it has been dominant ever since.

The framers of the Constitution were not legal positivists. They subscribed to the idea that there are fundamental human rights that cannot be justly overridden by any act of Congress. Such rights are inherent in human nature. They do not depend on the outcome of any election. Government does not create or grant these rights. They are antecedent to government. According to this view, in order for an alleged right to be a legitimate human right it must be possible for all humans to possess and exercise the right simultaneously without logical contradiction.

For example, does any person have a legitimate right to a job? If person X claims the right to have a job irrespective of the willingness of any other person Y to employ him, then X's job-related rights are different from Y's job-related rights. X is entitled to possess a job, and Y has the duty to provide it. Since such an alleged right cannot be held and exercised simultaneously by all people in the same way, it is not a legitimate human right.

The only job-related right that can be held and exercised by all people in the same way is the right to make job-related offers to others. Sellers of labor services have a right to offer to work for any employer on any terms the sellers wish. They do not have a right to compel any employer to accept such offers. In exactly the same way, employers have a right to offer to employ any worker on any terms whatsoever. They do not have the right to compel any employee to accept such offers. In short, the employment relationship is a contractual relationship based on mutual consent. In the absence of a contractual agreement to the contrary, no employee has a property right to any job.

What about the right to strike? In the absence of a contractual agreement to the contrary, any employee has a right to withhold his labor services from an employer if he doesn't like the pay and benefits the employer offers. If each individual has this right, then a group of like-minded individuals can exercise this right together. In other words, all individuals who want to may withhold their labor services at the same time. If this concerted action induces the employer to acquiesce to the workers' terms, so be it. That will depend on the relative bargaining power of the two sides, and neither side has a natural right to any bargaining power advantage. Each side's bargaining power depends on the attractiveness of its alternatives.

However, and this is the central point, notwithstanding Section 13 of the National Labor Relations Act, like-minded workers who simultaneously withhold their labor services have no legitimate right to interfere in any way with the right of the struck employer to engage in voluntary exchanges with customers, suppliers, and other workers. Workers who are willing to work for a struck employer who wishes to hire them have a legitimate right to do so. Moreover, they may agree to accept the very terms of employment that the strikers consider to be unacceptable. Replacement workers have the same job-related natural rights as striking workers.

Unionists resort to name-calling to imply that replacement workers don't have the same voluntary exchange rights as other workers. "Strike breakers" and, even more pejoratively, "scabs" are typical epithets. Jack London, for example, once wrote, "After God had finished the rattlesnake, the toad, the vampire, He had some awful substance left with which he made a scab." Richard Trumka, president of the United Mine Workers, who led the Pittston strike, thought it sufficient to say, "Replacement worker is a nice refinement in

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terminology, but a scab is a scab" to make a case against employers who hire replacements. But scabs are human, and as Thomas Jefferson would put it, they are endowed by their Creator with the same unalienable rights as any other human. Notwithstanding the tenets of legal positivism, not even Congress can justly take away unalienable rights.

Replacement Workers and the Law

The National Labor Relations Act became law in 1935. The law guarantees a right to strike and to use picket lines to try to prevent the struck firm from operating. The *Tri City* one-picket-per-entrance rule of 1921 was overturned. Mass picketing is now legal. So long as overt violence is avoided (or disguised), pickets may threaten and cajole anyone who attempts to cross the lines. Since the National Labor Relations Act pre-empts state law, and since the local police are frequently outnumbered, police are often reluctant to step in even when overt violence takes place. During the Pittston strike, for example, the mines were effectively shut down by violence and threats of violence. Even judicially imposed injunctions and fines were incapable of restoring the voluntary exchange rights of nonstrikers.

Section 2 of the National Labor Relations Act provides that employers may not fire striking workers. Strikers have property rights to the jobs they refuse to perform. However, in *NLRB* v. *Mackay Radio & Telegraph Co.* (1938), the Supreme Court held that struck employers may hire permanent replacement workers in economic strikes, as well as temporary replacement workers in unfair labor practice strikes. An economic strike is one over issues such as pay, working conditions, and benefits. An unfair labor practice strike is one over some alleged illegal act of the employer such as discriminating against union workers or refusing to bargain with a certified exclusive bargaining agent. In an economic strike, the strikers are still employees (they may not be fired), but the employer doesn't have to reinstate them immediately following a settlement. They have first claim on any job that a replacement worker later vacates. In an unfair labor practice strike, striking workers must, upon settlement of the strike, be given the opportunity to take over jobs held by replacement workers.

The Court did not decide *Mackay* on constitutional grounds. The Court merely held that the National Labor Relations Act doesn't prevent struck employers from hiring replacements. The Court, in keeping with its legal positivist doctrine, said that Congress may pass a law banning replacements but, until it does employers are free to hire them.

In *Belknap* v. *Hale* (1983), the Supreme Court acted further to uphold the voluntary exchange rights of permanent replacements. Prior to *Belknap*, some struck employers hired replacement workers and told them that their jobs were permanent. Then, after the strike was settled, these replacement workers were dismissed and returning strikers took their place. In *Belknap* the Court held that if an employer tells replacement workers that they are permanent replacements and then dismisses them when a strike is settled, the dismissed replacement workers may sue the employer in state courts for breach of contract. As the law stands now, during an economic strike employers are legally entitled to hire permanent replacement workers. If they do so they cannot offer those positions to strikers as part of a strike settlement.

Legislation has recently been introduced in the House and Senate that would make hiring permanent replacements illegal in all strikes. Temporary replacements could be hired, but it is very difficult to find qualified workers to take jobs on a temporary basis. The intended effect of the proposed legislation is to make the union strike-threat more credible as an economic weapon against employers. It is an egregious example of politicians attempting to grant special privileges to an organized, and politically active, interest group in exchange for financial and in-kind assistance at election time.

Recent Supreme Court Cases

The Supreme Court has recently issued three decisions that further decrease the effectiveness of the unions' strike-threat weapon. From a unionist's perspective, these cases violate the rights of union workers. From a natural rights perspective, the Court has only partially restored some basic liberties to nonunion workers and employers. Those same liberties had been unjustly overridden by earlier Court cases upholding and interpreting

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the National Labor Relations Act.

In *Pattern Makers League* v. *NLRB* (1985), the Court ruled that a union member may resign from the union during a strike and cross a picket line without fear of legal retribution from the union. Under existing law, a union may fine a member who crosses a picket line, and the fine will be enforced by government courts. But a nonmember may cross a picket line with (legal) impunity. Prior to *Pattern Makers*, a union member had to give a 30-day notice before he or she could resign, and no one could resign membership during a strike. Now a union member can resign at any time without notice.

Except in the 21 states that have prohibited them in the private sector, union security clauses may be included in collective bargaining agreements. Under a union security clause, every worker who works in a unionized firm must either join the union (union shop) or pay service fees to the union (agency shop) as a condition of continued employment. In *Communications Workers* v. *Beck* (1988), the Court declared that money forcibly collected from unwilling workers could only be used by the union to pay for the costs of collective bargaining, contract administration, and grievance procedures. No such money could be used for partisan or ideological advocacy or union organizing activities. Fees collected from dissenting workers had to be less than the regular dues collected from voluntary union members. In the case of a union shop, any worker can become a "financial core" member at will. That is, membership duties are limited only to paying reduced dues.

In *TWA* v. *Flight Attendants* (1989), the Court held that after a strike settlement, employers need not replace "crossover" workers with returning strikers who have more seniority. A crossover worker is a striker who crosses a picket line to return to work before a strike is settled. Prior to *Flight Attendants*, strikers maintained their seniority privileges after a strike. A crossover worker who was doing the job previously done by a more senior striker would have to give up the job to the returning worker. Now a striker may permanently lose a job assignment to a less senior crossover.

In sum, these three cases have made it more difficult for unions to maintain solidarity. During a strike a union member may resign at will from the union and cross the picket line. Such a worker completely avoids union dues or, under a union security arrangement, at least reduces his or her dues-paying liability. Moreover, as a crossover, such a worker perhaps gains permanent job assignments hitherto reserved for more senior employees. In conjunction with the *Mackay* doctrine, which enables employers to hire permanent replacement workers, these cases make unions less willing to strike. They decrease the economic value of strike-threats to unions, but they restore some voluntary exchange rights to others.

Conclusion

The current Supreme Court appears to be tentatively moving toward supporting the voluntary exchange rights of all workers. But, since all of these cases have been decided on legislative, not constitutional, grounds, all Congress has to do to again promote unionists' privileges over the rights of others is amend the National Labor Relations Act. Moreover, as present justices retire and new ones take their places, the Court itself could easily move back toward promoting unionist privileges at the expense of the rights of others. A constitutional amendment that incorporates the safeguards the Court enunciated in 1921 in the *Tri City* case and makes affiliation with a union a matter of individual choice, not majority vote, is the only (nearly) reliable way to defend the legitimate rights of all participants in labor markets. □

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Government Isn't Living Up to Its Contract

by Roger Koopman

When you mention the word "contract," it doesn't evoke instant excitement. Most of us associate contracts with banks, car dealers, realtors, and the like, and think of them in terms of payment plans and other financial obligations. But in reality, a contract exists whenever two or more parties agree to be bound by a mutual arrangement—which may or may not take written form. Contracts, therefore, are a basic expression of voluntary actions, free agency, and free will. They are the mortar that holds together a peaceful and free society. Without contractual relationships, there would be neither order nor freedom of choice.

The Constitution is an excellent example of a contract, whereby the people contract the specific services of the federal government and establish strict prohibitions on governmental power to safeguard their liberties. Both sides are required to honor the letter of the agreement, but the relationship set forth in this document makes clear who (i.e., the people) is the superior party, and who is serving whom.

Marriage can be viewed as a contract between two people. While, in a civil sense, all marriages have a certain commonality, they are also highly individualistic "contracts," reflecting the values, religious beliefs, personalities, and so on, of the husband and wife. Business relationships, likewise, are contractual in nature, whether written or verbal. So, in the same sense, are employer-employee relationships.

Contracts imply several things: 1) that the relationship was entered into with the full knowledge of the individuals, 2) that it was arrived at freely, without force or coercion, and 3) that the relationship was perceived by all parties as beneficial. For a contract to be valid, then, there can be no interference by outside parties.

Obviously, freedom of contract is essential to an open, competitive, exchange economy. The entire system of free market transactions is based on contracts. The strength of this system is its diversity, and the extent to which it maximizes individual choice and personal freedom.

But somewhere in our history we began to accept, ever so slowly, the notion that government (our Constitutional servant), has the right to interfere with the contracts of free people. I'm sure the argument in the beginning was the same as the arguments are now, as all levels of government continue to erode our ability to contract freely with anyone for anything. The rationale is always that it is for the "public good."

Funny though—I've never met one of those "publics." I know that I'm not one, and as I look around, all I ever see are individuals, never publics. Maybe they're kind of like leprechauns, these publics, and the only ones who can spot them are politicians. They're always being talked about by the politicians, and all the laws seem to be passed in their behalf. They must have hired a great lobbyist!

But stop and consider all the ways that government denies the individual his right to determine his contracts with others. Take employment relationships, for example. Do Americans still have the right to form whatever mutually beneficial relationship they choose when they go to work for someone or hire someone? Of course not. Our

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"servant" government doesn't permit us, because they have a "better idea" in mind. So they force wage minimums on us that extinguish many jobs altogether. They force worker's compensation insurance on us, even if the individual worker would rather pass on that "benefit" and take other benefits or higher wages instead. They force unemployment insurance on us in the same way. Do we have a choice, as employees, to opt for a different policy from the private sector—or to choose no policy at all?

What kind of choice can we make about the 15.3 percent we and our employer together must contribute to Social Security? Do we have the opportunity to design an alternative retirement program with our employer? And what about overtime arrangements? Who decides all of that on our employment contract? The government again, because we "publics" can't be trusted to know what's best for us.

And this just scratches the surface in one area of our lives. You would be hard pressed to find any area of our existence where Big Brother doesn't close off our options and dictate what kinds of contracts we are allowed. Just pause and think about it.

Then reflect on what this is saying about you as a person. How independent are you? How free are you to pursue your own happiness? How able are you to control your own destiny when your government all but writes your life's contracts? And how much longer are you willing to sit back and watch other people you don't even know rule your life? □

Readers' Forum

To the Editors:

In your July 1990 issue, an article by Dwight D. Murphey seeks to position Employee Stock Ownership Plans (ESOPs) as a threat to the free market and as a vehicle for a new constituency for the American Left. Nothing could be further from the truth. ESOPs do not constitute "workers' control" or "workers' self-management" but instead allow workers (both hourly and salaried) to become capital workers as well as labor workers. One need only read the writings of Louis O. Kelso, founder of the ESOP concept, to understand that Kelso does not believe in a free lunch or a giveaway of capital ownership. Dr. Murphey in his article is correct when he states that workers' "control is inefficient to the extent that it is socialist." The ESOP advances the cause of the free market system and educates workers to understand that employers, in order to be competitive and profitable in a free market situation, must be efficient and productive. ESOPs can and have reduced labor-management strife, thereby providing ESOP corporations with a competitive edge in the domestic and world marketplace.

Stripped to its core, Murphey's article seeks to perpetuate an elitist group owning all the means of capital acquisition, thereby (though Murphey doesn't seem to understand this fact) placing working men and women in ideological and economic competition with their employers. In that battle, everyone loses and no one wins. Inequality in the ability to achieve capital acquisition is a rallying cry for exponents of the foolish and dangerous socialist system. The goal of any economic system is to create goods and services that can be utilized by its producers as consumers. The theories of Louis and Patricia Hetter Kelso have made capital ownership a reality for millions in the United States, thereby spreading the constituency for the free market system and demonstrating to those individuals that in a capitalist system with broad-based capital ownership, their lives can be improved by reason of their own hard work and efficient participation in the free market system.

D. Bruce Shine, General Counsel
United Textile Workers of America

Professor Murphey responds:

I am calling my remarks a "response" rather than a "rebuttal" because I hope to enlist common ground—not an adversarial relation—with people such as Mr. Shine.

In my article in the July *Freeman*, I essentially made three points:

1. That employee ownership is growing by leaps and bounds as a result of the massive tax

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preferences that have been given to it since 1974. This growth is a product of "interventionism," not of the free play of market forces.

2. That the rapid institutionalization of employee ownership will create a vast new constituency for government intervention. One reason for this is that millions of employees are being caused to rely upon a non-diversified form of holding as one of their principal investment vehicles. Government will almost inevitably, given the political realities once an enormous employee-ownership constituency comes into being, be called upon to make sure that employee-owned companies don't fail or at least to serve as guarantor that the employees won't lose the value of their shares if their companies fail.

3. That, even though I don't think the move toward employee ownership will lead to socialism in the United States, the Left can certainly be counted on to seek to dominate it with an anti-capitalist animus. Workers' control was central to much 19th-century socialist thought, and has been a centerpiece of Western European and American socialist thinking in recent years. What many of us don't realize is that there is an extensive and active socialist literature on the subject. This suggests that we are creating a potentially hostile institution within the heart of capitalism itself, with all of the future conflict that that entails. Those who favor a free market had better get busy within employee-owned businesses to see to it that such ownership actually does create an identification with capitalism on the part of the employees. We need to understand that American employees' hearts and minds are going to be contested territory in an unfortunate ideological war. It's a war in which proponents of a free market will, as always, be at a serious disadvantage in terms of intellectual and media articulation.

These are the points I made in the article.

Now I am pleased that Mr. Shine has raised an aspect that I did not have space to address in my article. (I've devoted considerable attention to it in recent issues of the *Conservative Review* and *The Journal of Social, Political and Economic Studies*. I will be glad to send copies to anyone who writes to me in care of *The Freeman*.)

He refers to the writing of Louis O. Kelso, known as "the father of the ESOP (Employee Stock Ownership Plan)." He indicates that Kelso and his coauthors—who were Mortimer Adler for the first two of four volumes and Patricia Hetter Kelso for the final volume—actually favor employee ownership as part of a free market system, not of socialism.

I can only hope that Mr. Shine, and others, will go back and read Kelso's books carefully, looking past the rhetoric of a "new capitalism" and seeing that what Kelso has actually been propounding for over 30 years is a thoroughgoing socialism.

In fact, Kelso's writing is the most fascinating example I know of semantic inversion. He and Adler were brilliant in devising a way to call socialism "capitalism."

ESOPs are only a small part of the road to the "new capitalism." The idea is to have an unlimited supply of government-backed credit to lend to virtually everyone, without obligation to repay (and thus the semantically disguised handout), to make it possible for people to buy all sorts of property —including even shares in sidewalks—until everyone in our society owns roughly the same amount of property. Then everyone is to receive payments derived from their ownership as a form of entitlement. This vast scheme of redistribution and of entitlement payments is called "capitalism" because everyone is made an "owner" and is said to be receiving a return on his or her "capital."

I know this is astonishing, but anyone who doubts my summary of it is urged to run, not walk, to the public library to read any one—but preferably all four—of Kelso's books. There, under an impressive array of verbiage and semantic inversion, the discerning reader will see the whole scheme laid out in all its glory.

I hope Mr. Shine is one of the many who have genuinely been fooled by the Kelso books. Many solid free market proponents have accepted the Kelso rhetoric at face value. I have no doubt but that true proponents of a market economy will join me in opposing Kelso's scheme, although anyone who's been snookered needs a little time to adjust to a realization of it. After a short period of disbelief, they should be angry. Not at me as the messenger bringing bad tidings, but at Kelso.

Dwight D. Murphey
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A REVIEWER'S
NOTEBOOK

The War of Ideas

by John Chamberlain

John C. Goodman of the National Center for Policy Analysis, in company with Ramona Marotz-Baden of the Foundation for Research on Economics and the Environment, are doing their best to keep up with changing ideas as they affect Latin America. They continue to have their troubles.

As their new book, *Fighting the War of Ideas in Latin America* (National Center for Policy Analysis, 12655 N. Central Expressway, Suite 720, Dallas, Texas 75243, 252 pages, $6.95 paper), went to press, the very first page of their introduction demanded drastic footnoting.

Goodman and Marotz-Baden had quite innocently stated that a free enterprise candidate had defeated a traditional socialist for the presidency of Brazil. They had followed this by saying that in Peru, the leading candidate for the presidency is a former socialist who now strongly endorses free markets. But after their writing, the president of Brazil revealed himself as a currency freak. His constituents woke up to the fact that they could not put their hands on 80 percent of their money. The repercussions of the Brazil situation were quickly felt in Peru, where the popular novelist Mario Vargas Llosa was supposed to be a shoo-in to succeed Alan Garcia as president. Vargas Llosa had indicated sympathy for the decision that had so drastically curtailed the Brazilian money supply. When news of this got abroad there was a quick rush to abandon Vargas Llosa. It is all a great mix-up. The upshot of the business has been most peculiar: a son of Japanese immigrants, Alberto Fujimori, beat Vargas Llosa in a runoff. He did it by working out of a store front in Lima, with no money, capitalizing on the deep-rooted fear that no government could be trusted with a people's savings.

If the whole of the Goodman/Marotz-Baden entries had to be subjected to such footnoting, it would not be worth much as information. Goodman and Marotz-Baden do much better when they stick to trends. Their various case studies are all on the upbeat side insofar as hopes for a free enterprise hemisphere are concerned. Chile has created a workable private social security system. In Guatemala, Manuel Ayau, a former president of the Mont Pelerin Society, is in the running for the presidency of his country. Two decades ago he started the free enterprise Francisco Marroquín University, whose graduates are now playing constructive roles in Guatemalan politics. Ayau has brought many Mises and Hayek scholars to his campus, including Milton Friedman, a three-time lecturer. It costs more to study at Francisco Marroquín than at state schools, but voluntarists have raised the necessary supplementary funds for scholarships. The university has, according to Goodman and Marotz-Baden, "home grown nearly 40 of its 200-plus faculty members, including its Dean of Economics. Recently, its Theology School opened satellite schools in Costa Rica, Honduras, El Salvador, and even Nicaragua."

We have touched on Peru, where Hernando de Soto's *El Otro Sendero* (*The Other Path*) battles with the terrorist organization incongruously titled "El Sendero Luminoso" or "The Shining Path" for adherents. The underground—or "informal"—economy in Peru, which has constructed $8.3 billion worth of houses in 20 years in comparison to the government's $174 million, will go with Alberto Fujimori in easy preference to tougher taskmas-

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ters who would force a waiting time of many years to get legal title to land. Fujimori has announced that Peru, which has stopped paying on its international debts, will "rejoin the world economy"—meaning that it will develop a plan to stabilize its economy with the help of the International Monetary Fund.

Venezuela and Mexico offer little puzzlement to Goodman and Marotz-Baden. The oil bonanza of 1974-83 might have put five important Western nations on Easy Street. But Venezuela and Mexico, which had high-priced oil to sell along with Norway, Holland, and Great Britain, muffed a glorious opportunity. Instead of paying off debts, all five of the oil-possessing nations immediately increased public expenditures.

"In Venezuela," we are told, "government spending as a percent of GDP [Gross Domestic Product] varied between 30 and 35 percent from 1962 and 1972; yet government spending climbed to 57 percent of GDP by 1984." In Mexico, public spending peaked at 61 percent of GDP. Holland hit 62 percent, Norway 48 percent, and Britain 46 percent. The oil-money spending went for all sorts of public projects, and it was accompanied by increased government borrowing for parallel expenditures. "In all five countries, the rationale behind these government policies was the belief that public spending would create and distribute wealth. In each case the opposite occurred. As resources were diverted from the productive private sector to the inefficient public sector, the consequences were devastating. In many cases the increased spending took the form of acquiring, expanding, or starting government-owned enterprises. Invariably, these firms incurred losses, which required even more government subsidies. As the subsidies to inefficient state-owned enterprises grew, efficient companies in the private sector were starved for capital."

The Mexican economy, despite its abundant natural resources and its industrialization after 1949, has turned into a nightmare. The runaway inflation "has resulted in a tremendous outflow of capital in the last ten years. An estimated $60 billion in private Mexican money has poured into the U.S. and at least another $8 billion has been identified in Swiss bank accounts. What went wrong?"

The editors tell us about the *ejidal* system of landholding, under which land was split into parcels too small for the peasants to eke out a subsistence living, let alone produce food for sale. To give up the *ejidal* system would require a tremendous rejection of one of the Mexican revolution's most cherished traditions.

But, say Goodman and Marotz-Baden, "As this book goes to press, there is mounting evidence that President Salinas is serious about free market reforms—that he favors real reform, not merely cosmetic changes designed to appease international lenders."

Salinas has announced his own conversion to the cause of privatization. If we could establish a genuine free trade area from Canada and Alaska to the Panama Canal it would be a tremendous victory for freedom. But the problem of Castro, who keeps pouring arms into Central America, would remain. And there is the warning attributed to Jack Kemp: "The International Monetary Fund is a greater threat to Central America than the Sandinistas." Fujimori, though Peru is not in Central America, should take note of Kemp's general reasoning. □

INSIDE PERESTROIKA: THE FUTURE OF THE SOVIET ECONOMY

by Abel Aganbegyan

Harper & Row, Keystone Industrial Park, Scranton, PA 18512 • 1989
241 pages • $19.95 cloth

Reviewed by Russell Shannon

Abel Aganbegyan has been one of Mikhail Gorbachev's chief economic advisers. In his book, which is written for general audiences, Aganbegyan indicates clearly that he has had ample opportunities to observe the operation of a centrally controlled economy and is vividly aware of its failings. He also reveals not only a firm grasp of, but also a strong admiration for, some of the most basic characteristics of a free market economy. Yet his understanding of and dedication to market principles is so flawed that one puts the book down with a sense of sorrow. If these are the views of one of the Soviet Union's staunchest free-market advocates, then it seems likely that paternalism will prevent perestroika (economic restructuring) from being more than partial.

For years, tales have leaked out of the Soviet Union about the grotesque absurdities which result from centralized control of the economy—

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how, for example, a shoe factory made all its shoes the same size to satisfy Gosplan's quota rather than serve the desires of consumers through the market. Now we are treated to such examples coming from the "horse's mouth," as Aganbegyan puts it. All such problems he blames on the Soviet system of *diktat*, or centralized command, which features monopolies in most realms of production. Competition, Aganbegyan notes, has been prevented in order to avoid the problems of unemployment and bankruptcy. But the monopolies have produced vast quantities of largely useless items, such as the "bulldozer" built by a tractor factory which simply added a blade to a caterpillar tractor and proclaimed it to be a "bulldozer."

Tens of thousands of these ersatz bulldozers were produced by the Chelyabinsk factory each year, primarily for use in the far north. Aganbegyan states that "no bulldozer lasted even a season, and every year each one required a total overhaul costing several times more than the original purchase." Nor is this an isolated instance, for Aganbegyan states that what he calls the "dictatorship of the producer over the consumer" causes the story to be repeated "in every branch of the automobile, shipbuilding and machine-tool industries."

Clearly, Adam Smith's precept that "consumption is the sole end and purpose of production" has been ignored, with disastrous results.

Aganbegyan has several ideas about what needs to be done. He proclaims the need to control monetary growth in order to prevent inflation—sounding much like Milton Friedman, whom he has met. He also advocates opening up the Soviet economy to international trade, providing the double benefits of greater international division of labor and a strong incentive for domestic firms to improve product quality. And he stresses the importance of allowing individual contractual arrangements to replace the *diktat* of central supervision.

Of course, as Aganbegyan realizes, the Soviet Union has engaged in such periods of reform in the past—under the New Economic Policy instituted by Lenin in the 1920s as well as more recently under Khrushchev and then Kosygin. Yet all these reform phases failed, and the Soviet system sank back into costly centralization.

Will things be different this time? Aganbegyan ardently believes they will. He puts his faith in the growing democratic elements in the Soviet Union which Gorbachev has introduced. But if he were to cast his eyes to the Soviets' great southern neighbor, India, he would observe that democracy is no guarantee of an end to bureaucratic control and widespread economic waste.

In fact, Aganbegyan himself is reluctant to relinquish much of the centralized control which guides production through five-year plans, guarantees workers' employment, and provides certain minimum needs. He does recommend allowing workers to buy their own homes, partly in order to soak up some of the "ruble overhang" which has developed because the lack of suitable consumer goods has resulted in an extraordinary accumulation of savings. But land and mineral wealth, he believes, should remain basically under state control, and 20 to 30 percent of the Soviet Union's annual output would be directed by the state.

What will be the outcome of perestroika? At the turn of the 20th century, Henry Adams visited Russia and in *The Education of Henry Adams* wondered, "Could inertia of race, on such a scale, be broken up or take new form?" Adams wasn't overwhelmed with optimism. Nor will such a feeling pervade the reader of Aganbegyan's book. It does seem reasonable to suggest that the ugly caterpillar of Communism has entered a sort of cocoon. Will it emerge as a beautiful capitalist butterfly? That seems unlikely. One suspects that, instead, it is apt to appear as a much more drab and modest socialist moth. □

Professor Shannon teaches in the Economics Department at Clemson University.

PREFERENTIAL POLICIES: AN INTERNATIONAL PERSPECTIVE
by Thomas Sowell

William Morrow & Co., P.O. Box 1219, 39 Plymouth Street, Fairfield, NJ 07007 • 1990 • 221 pages • $17.95 cloth

Reviewed by David M. Brown

Advocates of preferential policies can't afford to ignore this book—at least, not if they care about how their policies are working in practice.

With the diligence and insight his readers have come to expect, Thomas Sowell doesn't skimp when it comes to presenting and analyzing the rel-

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evant empirical data. He looks at the often bloody results of coerced preferences in a variety of political and social contexts around the globe and comes up with some disturbingly similar patterns.

By preferential policies, Sowell means "*government*-mandated policies toward *government*-designated groups," policies "which legally mandate that individuals *not* all be judged by the same criteria or subjected to the same procedures when they originate in groups differentiated by government into preferred and non-preferred groups."

In the first part of his book, Sowell discusses three major contexts for such policies: "Majority Preferences in Majority Economies," "Majority Preferences in Minority Economies," and "Minority Preferences in Minority Economies," in three riveting chapters of economic and historical analysis.

By labeling economies "minority" or "majority," Sowell is specifying which group or groups tend to dominate economically in a particular society. In the United States, the majority (roughly speaking) dominates, while the government-preferred minority (e.g., blacks) is regarded as disadvantaged and requiring special government help. Minority economies include places like Malaysia, Nigeria, and Sri Lanka, where an ethnic or racial minority—often composed of better-educated and/or better-motivated outsiders—economically outstrips the indigenous majority and so incurs at least some of that majority's envy, resentment, and political wrath.

The motivation of concern over unfair discrimination, which we are familiar with in this country, doesn't wash when the beneficiary of preferential policies is the majority. After all, the minority has no evident means, aside from political force, of systematically excluding the rest of the populace from certain economic or social contexts (which is why South African apartheid is not, and could not be, a free-market institution). But neither, it turns out, does the majority have any such means. Majority preferences have had to be imposed by force in both majority economies (as in the pre-'60s South, with the Jim Crow laws) and minority economies such as Malaysia. It *had* to be by coercion because, in the marketplace, discrimination is costly. And the individual who indulges in unjust discrimination, forgoing a more economically rational alternative, must pay those costs. "When apartments remain vacant longer because minority tenants are turned away, the landlord pays a cost for discriminating. So does the discriminating employer whose jobs remain unfilled longer or can be filled more quickly only by offering higher pay." In the free market, the more rational, non-discriminating businessman has a competitive edge—regardless of his own group membership or that of the other parties involved.

On the other hand, the discrimination costs for *government* are negligible. When a legislator passes a law or a bureaucrat enforces it, neither is obliged to pay the resulting costs to the businesses or other institutions that must obey it.

These differing incentives manifested themselves in the wake of the Jim Crow laws, the network of restrictions against blacks that were imposed in the post-Reconstruction South. When streetcars were a private, profit-making, relatively unencumbered enterprise during the 19th century, streetcar owners in the South did not segregate blacks and whites into different compartments; that would have entailed new costs (the disaffection of black customers) without new profits. (They did, however, segregate passengers into smoking and non-smoking cars, a move justified by economic demand.) As racial segregation was legally mandated around the turn of the century, furthermore, streetcar companies in towns like Mobile, Montgomery, and Augusta initially refused to comply with the law. In Tennessee, Jim Crow legislation was delayed (and later overturned in court) through the opposition of the streetcar company there. Sowell notes that, because of the economic burdens involved, evasion of legally enforced racial discrimination is common in other industries and countries as well. With infuriating insensibility, government imposes arbitrary costs on innocent citizens.

Preferential policies have been instituted throughout the world. Almost always, in the name of some "higher goal" of equality among groups, reason, economic efficiency, and simple civility are scrapped, with a small elite typically benefiting at the expense of everyone else—not excluding the intended beneficiaries. Often, those in a position to benefit from preferential policies are already the more advanced members of their group, with the education or income needed to take advantage of the politically imposed opportunities others cannot touch.

In Malaysia, a majority economy dominated by

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an outside minority (the Chinese), political preferences for Malaysians benefited "at most 5 percent" of Malays. "While the statistical representation of Malays on corporate boards of directors in Malaysia rose under preferential policies, so did the proportion of Malays among the population living below the official poverty line," Sowell notes. "In short, the Malay masses provided the political support for preferential policies that benefited the Malay elite—in the name of the masses."

In the United States, "the largest gains in black wages relative to those of whites between 1960 and 1970 occurred in private sector industries *less* regulated by government and *less* likely to be government contractors." Furthermore, "Black males with more education and more job experience have advanced in income, both absolutely and relatively to whites, while black males with less education and less job experience have *retrogressed* relative to whites over the same span of years. In short, the gains have gone to those already more fortunate, as with preferential policies in other countries." That's one pattern that Sowell notes.

Another pattern is violence. One is struck by the extent to which preferential policies stir up and exacerbate the racial resentments which often motivated those policies to begin with. Blacks against whites in the United States, Assamese against Bengali in India, Hausa-Fulani against Ibos in Nigeria. In Nigeria, where the Moslem North lagged behind the South in areas like education and jobs, group polarization attending preferential policies for Northerners led to mob violence, the hunting down and slaughtering of Ibos, and ultimately civil war. The Ibos, who had tried to split off from Nigeria and form their own country, ultimately surrendered, and fortunately at least some preferences were rescinded (in one of the few instances of such backtracking anywhere).

The consequences of preferential policies, which Sowell covers exhaustively, are disastrous. But what if consequences don't matter to the policy molders? One of the most startling passages in this book is from an ethnic "spokesman" conceding the generally superior qualifications of a competing ethnic group, but concluding, "Maybe they are better qualified but why is merit so important? We can have some inefficiency. That will be necessary if our people are to get jobs. Are we not entitled to jobs just because we are not as qualified?" One would suppose that qualifications were important so that you could do the job for which you have been hired; but, alas, that's irrelevant if the real point of a job is not production but the satisfaction of arbitrary racial demands, and costs be damned.

The more theoretical second part of the book discusses the illusions of knowledge, control, and morality that have influenced support of preferential policies. There are echoes of the Hayekian perspective on the distribution of knowledge through society here, and of Sowell's own analysis in *Knowledge and Decisions*, which make this section particularly intriguing—and devastating.

Regarding the question of morality in particular, the book provides convincing evidence that if being moral has anything to do with the promotion of human life, racism at the point of a gun has little to do with it. □

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SOUTH AFRICA'S WAR AGAINST CAPITALISM

by Walter E. Williams

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Reviewed by Matthew B. Kibbe

Many people are justifiably outraged by South Africa's apartheid system. Others offer apologies. What often unites these two seemingly disparate views is the belief that apartheid is somehow the result of profit-seeking under free-market capitalism. Starting from this belief, one must either rationalize the existence of a government-imposed system of legalized racial discrimination or embrace some form of socialism. These extremist views are reinforced by the statements of South African leaders such as former President P. W. Botha, who proclaimed that South Africa "is a symbol of . . . free enterprise," and black anti-apartheid activist Bishop Desmond Tutu, who declared that he is fundamentally "opposed to capitalism."

This book cuts through the emotionally charged rhetoric surrounding racism to get to the root of the apartheid system. Professor Williams shows that the problem in South Africa is not the free-market process, it is the existence and dominance of centralized government power. As he puts it,

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"... South Africa's apartheid is *not* the corollary of free-market or capitalist forces. Apartheid is the result of anticapitalistic or socialistic efforts to subvert the operation of market (capitalistic) forces."

To prove this thesis, Williams develops a broad, interdisciplinary study of South Africa's apartheid system, weaving theoretical economic analysis into a rich historical, legal, and institutional cloth. This interdisciplinary approach makes Williams' findings all the more persuasive.

Still, as one might expect from a Walter Williams book, this volume is driven by the logic of markets and prices. "Under market allocation of resources," he observes, "price is the major determinant to resource usage—which is not to say that racial discrimination is absent. It is recognized that market allocation tends to exact a penalty from those who engage in racial discrimination. As such, the free market is no respecter of race, ethnicity, religion, sex, or nationality."

Unfortunately, it has been special-interest politics—not the market—that has held sway in South African racial affairs for the better part of this century. The policy of apartheid, a term made popular by South African Prime Minister Daniel François Malan in 1948, originated in a myriad of government-imposed laws designed to keep nonwhites from participating and competing in the market process. As early as 1911, under the coercive influence of white labor unions, the South African government passed the first in a series of restrictive labor laws which became known as the "color bar." The Mines and Works Act of 1911, under the guise of safety, required "certificates of competence" for many types of work. Such certificates were largely unavailable to nonwhite natives.

The white labor unions and other white supremacists lobbied for other regulations which, in effect, prohibited blacks from being hired. These groups demanded that the hiring of blacks and other nonwhites be subject to the same compulsory employer compensation and minimum wage requirements granted to white union members. The intent of such legislation, Williams contends, is obvious. Such labor laws took away the only bargaining chip available to the blacks and other nonwhites—their willingness to work for a lower wage. Many whites recognized this. In 1925, for example, the report of the Mining Regulations Commission proposed a mandatory system of minimum wages per job "in order to rescue the European miner from the economic fetters which at present render him the easy victim of advancing native competition."

Contrary to the view accepted by many on the political left, apartheid is not the result of white businessmen attempting to maximize profits by enslaving cheap black labor. It is instead a product of political privilege. Says Williams:

> The mere existence of South Africa's extensive racial regulatory laws is evidence enough that racial privilege is difficult through free market forces. Consider South Africa's job reservation laws, which mandate that certain jobs be performed by whites only. . . . The presence of job reservation laws suggests that at least some employers *would* hire blacks in the "white jobs." The fact that they would hire blacks to do white jobs neither requires nor suggests that these employers be necessarily any less white supremacist than anyone else. It does suggest that those employers who would hire blacks considered such a course of action to be an attractive alternative because blacks were willing to work for lower wages—"uncivilized wages"—than white workers. The business pursuit of profits—which caused employers to be less ardent supporters of the white supremacist doctrine—has always been the enemy of white privilege. This is why South African white workers resorted to government.

"The whole ugly history of apartheid has been an attack on free markets and the rights of individuals, and a glorification of centralized government power," Williams concludes. Only when South Africa's people—black, white, or colored—"declare war against centralized government power" will there be genuine progress toward freedom. Walter Williams' new book provides powerful intellectual ammunition for that war. □

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The ideal of freedom is to let anyone do anything he pleases, as long as his behavior is peaceful, with government empowered to keep the peace—and nothing more. An ideal objective, true, but one that must be pursued if we would halt the continuing descent of our society from bad to worse. Nothing short of this will suffice. And unless we fully understand the ideal—and what makes for its attainment—we'll tend to settle for powerless, futile little pushes and shoves that yield no more than a false sense of something done.

—Leonard E. Read

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—THOMAS JEFFERSON
Letter to John Adams, September 12, 1821

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